1 Dividend-Growth Stock to Buy for a Recession

Description

Growth stocks have soured in a big-time way following the U.S. Federal Reserve's triple rate hike. Undoubtedly, the move sent rates surging, applying even more selling pressure to the many unprofitable growth stocks, many of which no longer sport hefty multiples. As inflation continues to persist, while rate hikes come flowing in (another 75 bps could land in July), it's hard to imagine an environment where growth can bottom out and begin to find its feet again. Indeed, the rest of the market has proven fragile, with dividend stocks and even energy plays fading into the back half of last week.

It's a tough situation for investors to be in, especially those nearing retirement age. For young investors who are more than a decade away from their expected retirement dates, though, the recent market selloff (or bear market) can be a good thing if you average down.

Undoubtedly, young investors with time on their side should treat the recent stock market correction as some sort of sale than something to be dreaded. During Boxing Day blowouts, everybody is more than happy to go bargain hunting. But when the market shows a bit of fragility, everybody seems to give in to the fear and panic.

Stock market correction: New investors should be happy to buy at lower prices

Stocks, like anything else, are assets that investors should look to buy when they're on sale by 10%, 20%, or even more than 50%. They're pieces of businesses, and if they generate ample amounts of free cash flow, young investors with too much cash shouldn't think twice about nibbling their way into full positions over time.

Though the S&P 500 is in a bear market, with your average tech play down more than 33%, valuations aren't historically incredible by any stretch of the imagination. However, there are still pockets of severe undervaluation that investors may wish to nibble away at.

With a rising risk of recession, investors should insist on companies that actually generate profits. Though unprofitable tech will eventually turn around, it could take many months, if not years, for the dust to settle. Further, there's no guarantee that the rebound will be V-shaped or even U-shaped. Indeed, an L-shaped recovery could be in the cards if inflation doesn't roll over fast enough to drag down rates.

CP Rail stock: A top dividend grower for the long haul

In this piece, we'll look at a dividend-growth stock that seems like a bargain, even as the economy takes a couple of steps back. Consider **CP Rail** (TSX:CP)(NYSE:CP), a railway firm that has one of the widest moats out there following its recent merger with Kansas City Southern. The company will have its hands full as it looks to integrate the latest deal that will grant it exposure to Mexico and the southern U.S.

As an economically sensitive firm, CP Rail is bound to take a hit as GDP takes a turn for the worst. Once the time comes for another economic expansion, though, expect the firm to be among the first to rebound. Further, if we’re not due for a Fed-induced recession, CP stock could be among the first to make new highs again.

At writing, the stock trades at 22.3 times trailing earnings, with a 0.86% dividend yield. Not exactly a bargain, even after the correction. Still, as a dividend grower with one of the largest moats out there, investors should keep the stock on their radars.

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