Recession Investing: 2 TSX Stocks to Weather a Storm

Description

Inflation has gotten so out of hand that central banks seem willing to endure a harder economic landing, even if it means triggering a recession. In the United States, stocks are in a bear market (a 20% drop) and are struggling to put in a bottom. Bear markets tend to accompany economic recessions. However, they're not guaranteed to. With odds of a recession being pinned at around 50/50, I'd argue that new investors should embrace the recent second-half barrage of volatility just in case there's no recession or it's milder than we expect.

It's a tug of war between the bulls and bears. Right now, it seems like the bears are winning, with the last number of bulls hanging onto their upbeat stances, as economic conditions continue to wane.

Recession investing 101: Think low-cost dividends

The fact remains that there are not many places to hide from volatility. Inflation is at a multi-decade high at 7.7%, and savers are sure to get hurt, even if they avoid further chaos in broader markets.

Though there's no sure way to navigate through these recessionary storm clouds, I think that defensive dividend stocks with low correlations to the broader stock markets are the way to go. Though they can fall into a market-wide rush for cash (think the 2020 cash crunch) that could be worsened by a pummeling in the cryptocurrency markets, any such downside could prove more short-lived versus most other assets.

Without further ado, consider **Telus** (TSX:T)(NYSE:TU) and **Enbridge** (TSX:ENB)(NYSE:ENB), two dividend plays that could help investors make it through high inflation en route to an economic slowdown.

Telus

Telus is a well-run telecom titan and member of Canada's Big Three. Recently, shares have hit a road bump, falling by as much as 20% since peaking in early April. Undoubtedly, the broader market correction and fears of a looming recession have weighed heavily on Telus in recent months. Still, the company remains in fine shape to continue rolling out the next generation of telecom tech across the nation. Telus's borrowing costs will rise as rates rise, which could take a bit of growth away from the already sizeable dividend commitment over the next three years.

Regardless, the 4.7%-yielding dividend is on stable footing. Even if Canadians opt for cheaper plans, there aren't many low-cost alternatives in the Canadian telecom scene. Can Telus's position in a triopoly help it weather a consumer recession?

Perhaps. Regardless, the dividend is sound, and the valuation isn't all too stretched at 23.1 times trailing earnings.

Enbridge

Enbridge used to be a dividend-growth darling that retirees could stash at the core of their retirement funds. Though the stock crumbled once the lights went out on the energy patch back in 2015, the tides have since turned heavily in Enbridge's favour.

With the Russia-Ukraine crisis, demand for domestic energy is at a high point. Though a recession could hit oil prices, Enbridge's lower sensitivity to near-term energy movements is a major plus for investors seeking security in the face of a potential economic slowdown.

The stock trades at 18.9 times trailing earnings, with a 6.3% dividend yield. That's a low price for such a large, secure dividend that survived the past several years of headwinds.

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Author
joefrenette