Have $2,000? 2 Market Crash-Ready Stocks to Buy Now

Description

If you've got an extra $2,000 or so sitting around in a TFSA or RRSP retirement fund, it's time to think about putting it to work.

There's no guarantee that the hurricane of the first half of the year will end in the second half. Further, things could easily get a lot worse. However, with so much bias on the negative side, it may not take much good news to propel stocks out of the gutter.

This year has been all about inflation. It's scorching hot and doesn't appear to be peaking anytime soon, with Canada's latest CPI numbers coming in at nearly 8%. GDP ground to a halt, but Canada doesn't seem likely to dip into recession anytime soon so, as long as commodity prices don't implode like a paper bag.

As the economy slows down, energy prices could retreat quickly, easing a bit of inflationary pressure that weighed heavily on consumer balance sheets in the first half. Further, as global supply constraints ease, once China exits lockdown, we could see supply-side woes calm the inflationary impact.

Add rate hikes and a more cautious consumer into the equation, and it seems like inflation is bound to peak at some point over the coming months. Once it does, the Fed has permission to take its foot off the pedal. In fact, it may even decide to pull the gear in reverse mode, as it looks to trim rates modestly to stimulate the economy just enough to prevent excessive damage to employment.

Indeed, central banks want a soft landing. But the likeliest scenario, I believe, is a hard landing with some measures to soothe investors after the fact. Indeed, a slight dip into recession territory, with a few rate hikes could pave the way for the next bull market that may not have inflation weighing it down. Further, central banks may be okay with inflation in the 3% range, as it looks to other disinflationary forces to work their magic.

Though it's hard to tell how hard the market correction (or crash) will be, I think investors should look to buy wonderful businesses now and on any further damage.

Currently, **Spin Master** (TSX:TOY) and **Bank of Montreal** (TSX:BMO)(NYSE:BMO) look enticing.

Spin Master

Spin Master is a toymaker that's quite seasonal. With a holiday season that could have the lowest consumer spending in years, many investors have discounted the company's latest quarterly results, which have been quite solid. Indeed, a consumer recession could weigh on discretionary demand in the back half of the year. At the same time, Spin isn't just a toymaker anymore. It's an innovator that's broken into the digital games business in a big way.

Over time, I expect Spin to continue funneling money into digital games, as it looks to gradually diversify its book. With solid brands, a great balance sheet and decent managers, Spin stock looks like a steal at around 14 times trailing earnings.

Bank of Montreal

Bank of Montreal isn't just some value trap. It's one of the highest-quality Canadian banks out there, and the current valuation (6.8 times trailing earnings) seems to price in something horrific in 2023. Not just a mild recession, but a potentially severe one that could induce hefty PCLs (provision for credit losses).

Undoubtedly, news of rising PCLs is the last thing bank investors want to hear after enduring a rough 2020. Though PCLs shouldn't get as bad as two years ago, I think there's too much pessimism at this juncture, especially given higher rates bode well for margins. Further, BMO has a lot of O&G (oil and gas) loan exposure, which should remain robust, as energy players remain profitable through the coming economic slowdown.

BMO's Bank of the West acquisition may have suspect timing (we won't know for sure until years down the road). That said, the deal seems to fit nicely with BMO, as it looks to improve its American banking business.

CATEGORY

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3. TSX:TOY (Spin Master)

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Author
joefrenette