Got $300? Here’s 1 Stock to Buy Right Now Before a 2023 Recession

Description

One of the major perks of being a self-guided investor is that you don’t need to answer to anybody. There are no clients or supervisors hassling you to meet return targets in any given year. You don’t have to be in the green every single year, and you shouldn’t look to make huge changes if your portfolio sheds a bit of its value in a huge down year for broader markets.

This year saw the S&P 500 shed around 24% of its value from peak to trough. That’s a painful drop to say the least. If your portfolio didn’t sag as low (or if it fell in line with the averages), then you’re on the right track and shouldn’t seek to make drastic changes with your allocation. However, if your portfolio got cut in half back in June, you may have overestimated your risk tolerance.

Undoubtedly, higher rates have concentrated the selling activity in high-growth tech stocks. At this juncture, nobody knows how many rate hikes it will take before central banks can bring inflation back down to levels we’re more accustomed to. In any case, I think the market is underestimating the Fed’s willingness to cope with 3-3.5% inflation. Indeed, it’s higher than the prior 2% target. However, the amount of economic pain it’ll take to bring inflation to 3% to 2% may not be a worthy trade-off. In any case, the economic pain to knock inflation from 7-8% to 3% may be less horrid than expected.

Indeed, the 2022 market selloff has mirrored many prior declines. Some may view it as a mini-2000 dot-com bust or the 1970s inflationary drag. In any case, the recent plunge in markets, I believe, is nothing shocking after one of the strongest years (2021 enriched many) in recent memory.

2023 recession: The stock market could still rally

Many may be quick to write off 2023 as a brutal year for markets. It could be a recession year. That said, it’s worth noting that the economic pain to be had in 2023 is likely (mostly) already factored into markets right here. In 2023, investors may look ahead to a 2024 recovery. And if that’s the case, 2023 may be a strong year for markets, even if it’s a rough patch for the economy.

As we enter the early innings of a recession, it may be wise to lighten up on defensives and begin to obtain a bit more discretionary exposure. That way, investors could be in a spot to maximize their upside once the market is ready to focus on an economic recovery and perhaps a few rate cuts.

For now, central banks don't want to even talk about rate cuts for obvious reasons. A dovish tilt could derail all the progress in the Fed's fight against inflation. Why run the risk of letting inflation creep higher when it's begun to show signs of sagging?

Magna stock: A top dividend pick to play a post-recession bounce

At this juncture, I'm a fan of **Magna International** (TSX:MG)(NYSE:MGA), a cyclical auto-part maker that's already taken a big hit to the chin. The stock is down around 40% from its all-time high of $125 to $75 and change per share. Amid the stock slide, the dividend yield has swelled above the 3% mark. That's the highest it's been since the depths of the 2020 market crash.

Though auto demand could fall off further in a recession (people just don't have money for big-ticket, nice-to-have goods in tough times), I believe investors are discounting Magna's secular trends and its ability to bounce back after its current slide. The electric vehicle (EV) boom is underway. Once times are good again, auto demand could surge, bringing forth the need for auto parts.

It's not just post-recession demand that could overshoot to the upside; the past two years' worth of supply woes could be (mostly) alleviated in 2023. Magna has been through a lot of headwinds, but after the headwind storm could be far brighter.

The stock trades at 1.53 price to book and 8.14 times forward price to earnings, both of which are well below five-year historical averages.

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Date
2025/07/20
Date Created
2022/09/12
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joefrenette