Beginners: 1 TSX Stock That Could Skyrocket in a Recession

Description

Warnings of the coming economic recession have been hogging the headlines of late. Undoubtedly, the Bank of Canada (BoC) and U.S. Federal Reserve are looking increase interest rates until inflation can come back down to more manageable levels.

Though they're willing to inflict some economic damage, it's unclear as to what will cause a more dovish pivot. At this juncture, a pivot seems unlikely unless inflation's downward trajectory can pick up. With a hot consumer price index (CPI) report for August, new investors seem to be fearing the worst again: a scenario that sees inflation sticking around until rates are much higher (perhaps as high as 4.5-5%).

Undoubtedly, the current tightening cycle could rock the markets. Though market stability and employment remain important to central banks, it's really hard not to put the high rate of inflation atop one's list of priorities. July's inflation report was better than expected, triggering a nice relief rally, while August's report missed the mark by just the slightest of margins. Arguably, both the July and August CPI reports probably shouldn't have moved markets as sharply as they did.

Extreme volatility ahead! Don't panic

Moving forward, investors should expect more of the same: extreme volatility ahead of CPI reports and Fed comments. Now, that doesn't mean markets can only go lower from here. Rather, it means markets are sure to be incredibly volatile. Investors must remember that volatility works both ways. Huge upside surges like the one we had in summer can strike when we least expect it. At the same time, quick plunges can also hit the momentum chasers who get too ahead of themselves.

Now that stocks are in free-fall mode after a CPI number that was only slightly worse than expected, it seems as though investors are ready to throw in the towel for good. There is a recession looming, after all.

Though we've heard the "r" word being used ad nauseam of late, investors may be discounting central banks' abilities to engineer a soft landing. With peak inflation that may be on the cusp of a rollover, I think the odds are in favour of investors willing to embrace the negative momentum. Sure, certain firms that missed on earnings will point the finger at the macro environment. It is more convenient to do so, after all.

In any case, I think quality companies stand out as great bets, even if we are destined for a 2023 economic downturn.

Restaurant Brands: Looking to beef up sales in a recession?

At writing, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) seems like a terrific dividend stock that may actually move higher as the recession rolls around. The firm behind Popeyes Louisiana Kitchen, Tim Hortons, Burger King, and Firehouse Subs has been stuck in a rut for many years. With some of the best value menu items out there, I'd argue that the quick-serve restaurant behemoth can actually see sales and earnings increase as other firms downgrade their guidance.

Fast food is known by economists as an "inferior good." That's a good whose sales tend to do well during times of economic hardship. As the bad macro environment gives store traffic a bit of a jolt, I'd look for QSR to capitalize on the opportunity at hand, with tech investments to maintain brand loyalty when the recession ends.

Burger King is putting its foot on the gas, with $400 million to be invested over the next two years. The firm plans to bet big on tech and advertising in order to "reclaim the flame." With the tides turned in the firm's end, I'd look to be a buyer while the dividend yield is still above 3.6%.

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