Which Canadian Stocks to Buy Ahead of a 2023 Recession?

Description

Bear markets are so incredibly painful, especially for market newcomers who've gotten used to the V-shaped rebounds we've been seeing since the 2020 stock market crash.

Indeed, we've been spoiled with swift bounce backs from market corrections prior to this year. Though the **S&P 500** is only off about 24%, it certainly seems like the 2020 market crash (which saw more downside) was less painful than the sell-off we're currently in. The bear market has dragged its feet for nearly 10 months now. That's a long time to wait, and many investors are starting to lose hope in the arrival of a recovery.

While a V-shaped rebound is clearly off the table this time around, I do think that a U-shaped recovery may still be in the cards, as investors and central banks try to cope with high inflation. With the U.S. Federal Reserve continuing to put its foot on the gas (with a recent 75bps interest rate hike), there are fears that we're about to plunge into a vicious recession in the early stages of 2023.

We've already witnessed layoffs, hiring pauses, and other efficiency-driving measures put in place by CEOs. Many top bosses, like Mark Zuckerberg, are ringing the alarm bell, warning of a global economic downturn ahead. It's a scary time, especially if you were not invested during the 2008 Great Financial Crisis.

Don't expect the return of 2008 in 2023

Though the market crash of 2008 was severe, investors shouldn't expect 2023 to be a repeat. Many pundits think the next recession could prove less severe in nature. And if that's the case, the S&P 500 or **TSX** Index may not need to shed half of its value!

Further, the 10-month-long bear market is likely closer to the end than the beginning. Most bear markets last just shy of a year, meaning the one we're in is potentially longer lasting.

With all the interest rate uncertainty, it's hard to be a net buyer of stocks. Interest rates are a falling tide that lowers all ships. Unprofitable companies with weak balance sheets can sink as a result of the changing tides, while profitable firms with cash-rich balance sheets have what it takes to stay afloat, ahead of the pack.

Fortis: A dividend stud that's better than bonds

Let's take a look at one intriguing dividend-growth stock that could be ready to roar into a recession year. While shares of **Fortis** (TSX:FTS)(NYSE:FTS) may be unsexy, it's the boring and high-certainty companies that are preferable in these market conditions versus the sexy growth stocks that led markets to their peak in 2021.

Fortis didn't participate in the euphoric run of 2021. Still, shares have given up some ground this year, with the stock down more than 7%. Looking ahead, I expect Fortis's resilient operating cash flow stream to keep it afloat once the economic downturn arrives. If there is, in fact, a recession ahead, the valuation seems quite reasonable at just north of 21 times trailing price-to-earnings (P/E), pretty much in line with historical averages.

The bountiful 3.8% dividend yield is also ready to grow, regardless of what's in store for 2023. Though the payout is now less than certain one-year GICs (Guaranteed Investment Certificates), which boast rates north of 4%, FTS stock will provide investors with exposure to relief rally upside, likely over the next year.

There's a lot of negativity baked in and market fears are so elevated that even stable utilities like Fortis haven't been able to avoid slipping a bit. I view Fortis stock as a bond proxy that's less risky in the face of rising rates.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. agraff
2. joefrenette

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2022/09/26
Author
joefrenette