2 TSX Stocks That Can Deliver Massive Gains in a Recession

Description

Instead of trying to avoid market damage that tends to accompany recessions, you should seek to better prepare for tough times. Indeed, it's hard to escape the recession downside now that the S&P 500 is already off by around 25% from its peak. If anything, the next major move that follows could be prosperous for those hanging on. It won't be easy to brave the market sell-off, but I do think fortune favours the bull, especially in this unrelenting bear market.

With that in mind, let's check out two intriguing TSX stocks that may help stabilize your portfolio in a recession. Now, every stock is "risky" in the face of rising rates. That said, the longer-term risk/reward profile seems too good to pass up. No pundit on TV will tell you such. The last wave of bullish pundits seems to have been wiped out by the market's September slump.

In any case, here are two stocks I'd not be afraid to buy going into the fourth and final quarter of the year.

Dollarama

Dollarama (TSX:DOL) is a discount retailer that has continued to move higher, even as the TSX and S&P 500 sunk. The stock's less than 4% away from making a new all-time high north of $80 per share. And I think it can hit new highs, even as the rest of this market crumbles like a paper bag.

High inflation and tough economic conditions could lead to even more business for dollar store giants. Cost certainty is hard to find these days. Only a few retailers can offer it consistently. Dollarama is one of them and could be in a spot to shoot for $100 per share, as the discount retail kingpin takes market share away from firms that simply cannot provide the savings Dollarama can.

At 31.6 times trailing price-to-earnings (P/E), you'll pay up for the defensive exposure. The $22.7 billion discount retailer isn't just a recession-worthy play; it's growing fast with an international business that could pay dividends for years to come.

Simply put, Dollarama is well-placed to chug higher as the 2023 recession arrives. Post-recession, Dollarama can continue to march even higher, as it looks to reinvest its plentiful earnings stream.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) is another fortunate firm that's about to enter a Goldilocks environment. Burger King is on the cusp of a huge reinvention. The long-time burger chain, known for its solid value menu, will be serving a growing number of customers seeking to save money.

Indeed, fast food restaurants are in a great spot as industry dynamics shift in their favour. It's not just industry tailwinds in a recession that could give QSR a jolt. The company is investing money in the right places. In prior pieces, I praised management for cutting back on cost cuts (pardon the pun!) and investing money accordingly to sustain robust growth.

Restaurant Brands is more than capable of growing in any type of environment. If anything, a recession may work in its favour! On Thursday, shares sunk 2% in a move that I thought made no sense. I think it's a gift courtesy of a stressed-out Mr. Market that's getting way too bearish for its own good.

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Date
2025/07/19
Date Created
2022/09/30
Author
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