2 TSX Stocks With Safety in a Recession

Description

It's really hard to stay above water in this current bear market, with the S&P 500 and Nasdaq 100 both making new lows in September. Though the first trading day of October was upbeat, it's tough to tell what the final quarter of the year has in store. Every day that goes by is a day closer to that recession. With hawkish central banks promising more rate hikes to come, it's really hard to see any scenario that allows markets to gravitate higher. Simply put, rates, inflation and the Fed have created a gravitational force that's pulling down on corporate earnings.

In any case, I still think there are firms that can keep earnings flat or even up modestly. It's these such firms that are in the profits and can continue to expand their footprint amid difficult times. Now, strong balance sheets are a must for firms that seek to make it through this rising-rate cycle with a positive return.

In this piece, we'll have a closer look at two profitable stocks that I believe are geared for huge gains, even as recession hits. Enter **Fortis** (TSX:FTS) and **Restaurant Brands International** (TSX:QSR).

Fortis

Fortis is a magnificent utility stock that ought to have your portfolio's back in a recession year. Despite the rising macro risks, shares of Fortis were not spared from the latest broader market pullback. It's been an ugly September for shares of FTS, which sunk around 9%. The stock is flirting with a bear market with new 52-week highs in the low $50-per-share range.

Undoubtedly, Fortis has one of the most resilient operating cash flows on the TSX. So, why is the stock not rallying in the face of market turmoil, given its track record of positive lowly correlated returns?

It's not so much the recession worries but the headwind of higher interest rates (higher costs of borrowing will eat into the bottom line) and recent quarterly results that missed the mark.

Fortis saw its second-quarter 2022 earnings-per-share (EPS) numbers come in at $0.57, just shy of the $0.60 estimate. Further, Fortis hasn't beaten on the bottom line for four straight quarters, with two misses and two in-line results. Indeed, Fortis hasn't been able to surprise to the upside. Despite this, the firm went on to raise its dividend by 5.6%, marking its 49th straight year of dividend hikes.

Fortis isn't thriving by any means, but it can deliver more of the same: certainty (and few surprises) in a market where there's no shortage of uncertainty. With a 0.17 beta and a 4.3% dividend yield, Fortis stock may very well be the key to thriving in a recession year!

Restaurant Brands International

Restaurant Brands International is a fast-food kingpin behind Tim Hortons, Popeyes, and Burger King. In prior pieces, I've praised the firm for its growth and modernization investments and the weak macro environment ahead. When the economy sours, fast-food demand tends to rise. It's cheap, it's filling, and it makes us happy. As QSR rolls out new technologies, while going all out on the in-store experiential factor, I see QSR stock as a TSX top pick for the next year and beyond.

Simply put, a recession will not stand in the way of QSR and earnings growth to be had. Sure, management has been a slow learner. But I think it's about to turn a major corner that could propel shares past $100 through 2023. With a 3.9% yield and a 0.94 beta, QSR stock stands out as a great defensive buy as most others sell!

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Date
2025/06/28
Date Created
2022/10/04
Author
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