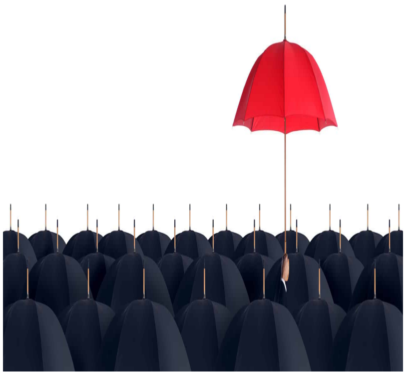

There Are No Recession-Proof Stocks, But These 2 Come Close!

Description

Stocks are risky assets, and none are immune to going down in price in a recession year. Indeed, to many new investors, it's tempting to lighten up the equity portfolio. With rising interest rates taking a toll of stock and bond portfolios, while inflation withers away the value of stored cash, it seems like there's no way to win.

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Indeed, many investors are down big since the start of the year. Instead of fretting over the harsh environment, we find ourselves in currently, it's a far better idea to look out to the next three years. Things will get better, and stocks will be back to making investors money again.

Further, inflation will normalize in time. It may take another few months of pain before things are brought back under control. But at the end of the day, investors should be ready to purchase quality merchandise while others are feeling the need to throw in the towel. Liquidity issues and a loss of hope are enough to give up various securities like stocks and bonds.

The case for buying stocks in the face of a recession

It'll feel good to sell something. At the end of the day, though, sellers will eventually exhaust themselves, and it's dip buyers that could find themselves back in command. Nobody knows when or how, but all bear markets run their course.

With a recession up ahead and fear that earnings will flop (the punishment for missed earnings has been quite severe this year!), stocks are in a vulnerable spot. As earnings flops come rolling in, certain names are bound to be oversold, leaving ample opportunity for long-term investors to load up.

In the meantime, investors should focus on steadying their portfolios, as there is sure to be rough sailing in the months ahead. Let's have a look at two steady stocks that could help you stabilize your portfolio as the recession rolls around. Enter **Park Lawn** (TSX:PLC) and **Boyd Group Services** (TSX:BYD).

Park Lawn

Park Lawn stock has been punished severely, plunging more than 45% from peak to trough. Undoubtedly, the stock could find itself approaching 2020 lows if negative momentum continues into year's end. The company's latest quarter (the second quarter of 2022) was a disappointment, with $0.19 in per-share earnings coming in short of the $0.29 analyst estimate. The $76 million in revenue was also light relative to a quarter ago.

Indeed, a fading of consumer sentiment and recession headwinds could continue to weigh heavily on margins. In any case, management has been doing what it does best: acquiring firms it sees as undervalued. The firm acquired Muehlebach Funeral care in Kansas City earlier this month, just a few weeks after it bought Shackelford, a firm comprised of eight funeral homes.

With valuations retreating across the deathcare industry, I'd look for Park Lawn to continue wheeling and dealing. Such moves are likely to help the firm bounce back quickly once economic tides reverse.

Boyd Group Services

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Boyd is another firm that's grown impressively over the years via mergers and acquisitions. Like Park Lawn; the stock has endured tough sledding through the year. At its worst, Boyd stock got cut in half. After a partial rebound, Boyd stock is now off around 27% from its all-time high.

Undoubtedly, supply shortages and high fuel prices (translating to fewer cars on the road) have acted as a roadblock for the auto-body repair company. Hurricane Ian's impact also caused Boyd to close 50 locations earlier this month. Such closures will weigh on the coming quarter. Regardless, I think the perfect storm of issues is poised to subside in 2023.

As conditions normalize while valuations contract across the board, look for Boyd to be acquisitive. At just 1.3 times sales, BYD stock is a growth bargain.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BYD (Boyd Group Income Fund)
2. TSX:PLC (Park Lawn Corporation)

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