Stable TSX Stocks to Buy if There’s a Recession

Description

It’s hard to ignore the recession warnings we’ve heard from all the pundits on Wall and Bay Street. While a recession is a possibility for 2023, there’s no telling what’s to happen with stock markets. Arguably, a mild (or short-lived) economic recession may already be baked in right now, with the S&P 500 already trying to claw its way back from a bear market.

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With white-hot technology stocks now among the ugliest of plays to be in, it seems like all the froth has been cut off over the past few quarters. With value plays outperforming the hot unprofitable growth gems of yesteryear, investors have been more than willing to pay up a premium multiple for the steady eddies heading into the new year, while ditching the “growth-at-any-price” names.

Indeed, defensive dividend stocks are a great way to zig while the markets zag. That said, you’ve got to ensure you’re not overpaying. Otherwise, you could run the risk of considerable downside. Even safe stocks can be dangerous if you pay substantially more than their intrinsic value.

Investing amid a bear market is never easy!

Though markets could sink further and add to already sizeable bear market losses going into the new year, there’s an underestimated chance that markets can bounce back, even as the reality of recession sets in. Once markets do start becoming constructive, it’s my bet that growth, rather than value, will lead us to higher levels.

Though it may take months or even a few quarters for consumer price index numbers to act as a positive catalyst for markets, I think that investors are getting a far better deal on stocks today than just a few months ago.

In this piece, we’ll have a look at two stable stocks that may be worth picking up for those looking to balance their risks for 2023 and beyond.

Where to find stability in 2023

Growth will have its day to shine versus value once the tides turn. However, it's unclear as to how much more pain growth investors will need to put up with before they're dealt amplified gains versus value plays. Ultimately, it depends on investors' time horizons and tolerance for downside risk.

Though growth is still important to young, long-term investors, especially if they can snag a nice discount, I'd look to the top dividend payers with modest valuations for stability in 2023.

Consider shares of top telecom plays like **BCE** (TSX:BCE). Currently, BCE stock sports a middle-of-the-pack multiple with a swollen (currently at 6%) dividend yield. The company faces pressure on its media business. And though it'd be nicer to have a pure-play telecom with a focus on 5G and Fibre rollouts, BCE stock can still keep its dividend intact once the perfect storm of recessionary headwinds hits at some point over the next year.

BCE isn't a growth darling (flat revenue growth expected moving forward), and it may still not be cheap enough versus the broader basket of telecom titans at just shy of 20 times trailing price to earnings (P/E). Regardless, BCE does sport one of the safest 6%-yielding dividends on the entire Canadian stock market. That alone makes it an intriguing pick for what could be yet another rough year for portfolios.

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With a 0.4 five-year beta, BCE stock is a less-volatile play than your average stock. With such a huge payout and less chop, BCE stock may be enough to keep steady the sails for however long this bear market lasts.

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