2 Stocks That Could Do Even Better in a Recession

Description

For many, this is the first long-lasting bear market we've invested through. Historically, it's not even one of the worst, with the S&P 500 falling around 26% from its highs. Though the tech-heavy Nasdaq 100 has lost more than a third of its value from peak to trough, it seems like this market selloff has a hint of the tech bust of 22 years ago and the inflationary bear market of the 1970s. Both times were rough, but it seems like today's new investors are ready to throw in the towel, rather than double down while valuations are cheap.

Even for those looking to add to their positions on weakness (sometimes you have to be a net buyer when there's blood in the Streets), cash is becoming harder to come by, given its vulnerability to 7-8% inflation and growing pains of indebted consumers.

Everyone's gloomy right now. But the important thing is to realize that stocks are on sale relative to where they were just a year ago! For those sticking it out long term, this is not a *bad* thing! In fact, it's a good thing if you're a young investor in your 20s or 30s.

At this juncture, **Dollarama** (TSX:DOL) and **North West Company** (TSX:NWC) are two plays I'd not hesitate to buy in the face of a recession. By buying and holding, you're investing for the long run, rather than looking to catch market bottoms. Simply put, both companies don't need markets to bottom to make investors money.

Dollarama

Dollarama stock has been in a bull market of its own over the past year, surging around 24% year to date. Indeed, inflation has caused many consumers to go to discount retailers in an effort to save a few bucks. Dollarama's purchasing power allows it to pass value to its consumers. Further, the brand is known for offering price assurance. Amid inflation, assurance of price (and a good deal) has become difficult for most other retailers to offer customers.

Now, Dollarama isn't immune to inflation's blow. It'll have to increase prices. And, eventually, the upper bounds of prices at its stores. Regardless, a recession could help Dollarama stock soar even higher,as floods of consumers become increasingly frugal, as budgets tighten to the next level.

The stock trades at just shy of 32 times trailing price-to-earnings (P/E) ratio. That's on the high side. Given recession headwinds and its ability to grow via international and domestic expansion, I'd argue Dollarama isn't as expensive as it could be!

My takeaway?

Dollarama is a magnificent firm at a reasonable price, making it a top recession buy.

North West Company

North West is a firm few Canadians are aware of. Unless you live in a remote community on the northwest part of the continent, odds are that you've never stepped into a North West-owned store. The grocery and generic retailer may not offer dollar-store-esque bargains like Dollarama. However, it is the only game in town for many folks living in rural areas.

It's North West's ability to operate efficiently in remote regions that's the source of its pricing power. At writing, the stock is down around 12% from its all-time high. With a 4.33% dividend yield and a mere 12.9 times trailing P/E multiple, the stock is a wonderful value gem for income investors looking for a great risk/reward scenario.

The $1.68 billion company may be lesser known, but it's worth your consideration if you seek to outdo markets in a recession year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:NWC (The North West Company Inc.)

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3. Koyfin
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Date
2025/09/10
Date Created
2022/11/19
Author
joefrenette