3 Anchor Stocks for Steady Stability if There Is a Recession

Description

Some economists say a moderate recession will come as early as the first quarter of 2023 because of the rate-hiking cycles. However, Canadian finance minister Chrystia Freeland believes the economy could avoid a recession, notwithstanding the lower real gross domestic product forecast of 0.7%.

Whether a recession comes or not, investors should always stick to blue-chip investments. You can calm your fears by investing in **Royal Bank of Canada** (TSX:RY), **Enbridge** (TSX:ENB), and **BCE** (TSX:BCE). These three industry leaders embody steady stability. The share prices could spike and dip, but the dividends should be rock steady.

Big bank

RBC is a bedrock of stability, as evidenced by its dividend track record of 152 years. The big bank stock currently trades at $133.21 per share (+3.1% year to date) and pays a decent and ultra-safe 3.8% dividend. This $187.62 billion bank has flexed its financial muscle again after announcing a new acquisition.

Canada's largest bank will purchase HSBC Holdings Plc's Canadian unit, the country's seventh-largest bank, for $13.5 billion. RBC's chief executive officer (CEO) Dave McKay said, "HSBC Canada offers the opportunity to add a complementary business and client base in the market we know best and where we can deliver strong returns and client value."

Once the deal closes in late 2023, RBC will have 130 more branches (45 in the west coast province of British Columbia) plus a significant commercial-banking franchise. McKay added that RBC should be the bank of choice for commercial clients with international needs. It should also attract newcomers to Canada and affluent clients needing global banking and wealth-management services.

Pipeline giant

Enbridge needs no hard sell, because the pipeline giant operates like a utility company in a volatile energy industry. The $113.15 billion energy infrastructure company isn't only a Dividend Aristocrat; it is also a generous dividend payer. Apart from 27 consecutive years of dividend growth, the current dividend offer is a juicy 6.15%. At $55.63 per share, ENB outperforms with its 19.8% year-to-date gain.

Like most energy firms, Enbridge also delivered a strong financial and operational performance in the first three quarters of 2022. In the nine months that ended September 30, 2022, adjusted earnings and distributable cash flows (DCF) increased 16.7% and 8.7% year over year to $1.4 billion and $2.5 billion, respectively.

Management said it would increase investments in low-carbon growth, while the dual-pronged strategy will expand and modernize Enbridge's conventional business.

Dominant telco

BCE, the most dominant telco in Canada, started paying dividends in 1881. At $63.10 per share (+1.6% year to date), you can feast on the lucrative 5.74% dividend. The $58.44 telecommunications and media company can endure market headwinds and will always be a safety net for risk-averse investors.

While net earnings in the third quarter (Q3) of 2022 declined 6.2% to $771 million versus Q3 2021, no one is alarmed. Operating revenues and cash flows from operating activities increased 3.2% and 12.5% year over year to $6 billion and $1.99 billion, respectively. Mirko Bibic, president and CEO of BCE and Bell Canada, said the Bell team is in a solid competitive position heading into year-end.

Counter to recession fears

The current inflationary environment is no reason to stay away from the market. However, the best counter to recession fears is having industry leaders as your anchor stocks.

CATEGORY

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3. TSX:RY (Royal Bank of Canada)

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