2 TSX Stocks to Help You Ride Out a Recession

Description

There's likely a recession around the corner. Ask any pundit, and they'll note a wide range of reasons why we're in for an economic downturn. From rising interest rates to geopolitical issues, the average investor has no shortage of concerns. That doesn't mean you should worry, though. In fact, it may be counterproductive to worry about factors that have been weighing down broader stock markets for nearly a full year now.

Indeed, any issues you see have likely already been digested by Mr. Market. Though all eyes are on the macro, very few investors take advantage of such widely-available data in a way that helps them improve their short- or medium-term returns. Undoubtedly, worrying about what others are fretting over is pretty useless. Instead, it can pay dividends to be a contrarian investor by going against popular opinion. Now, this doesn't work all the time.

For example, say you're blindly buying the dip in a certain stock that's shed half of its value in a hurry. A dipped stock isn't destined for a rebound. In fact, negative momentum can build on itself, and the stock under question can still easily be overvalued. That's why I'd encourage investors to buy dips in stocks they know to be either fair or undervalued. Put in the homework and do as much research as you can when it comes to the companies on your radar and how they'll fair given an above-average probability that we will be dealt a mild recession in 2023.

If you narrow your focus and tune out the macro chatter that's scaring most other investors, you can gain a slight edge. That's why it's wise to stick with a few stocks on your radar. That way, you'll have time to really put them through due diligence and determine whether or not the current valuation undervalues or overvalues a company!

In this piece, we'll have a look at two stocks that can ride out a recession. Each name has done well in 2022 and can continue to do so as the rest of the market gets pressured.

Suncor Energy

Suncor Energy (TSX:SU) stock has been on a tear this year, up more than 37% year to date. Indeed, energy stocks have been retreating over the past week on the back of retreating oil prices. Though oil could easily fall below US$70, I still think Suncor and the well-run oil producers are way too cheap to ignore.

At writing, SU stock trades at 8.2 times trailing price-to-earnings (P/E). Undoubtedly, the multiple is likely to expand as profitability prospects dim modestly as a result of falling oil prices. Still, energy is a great way to hedge against inflationary pressures. And Suncor is one of the cheapest names in the Albertan oil patch. Looking ahead, look for the firm to keep its foot on the pedal, with higher spending and productivity enhancements. Management sees 2023 spending coming in in the $5.4–5.8 billion range.

As the firm continues to invest in itself, expect the dividend (yielding 4.5% today) to keep on growing!

Loblaw

Loblaw (TSX:L) is a grocery kingpin that can't be weighed down by inflation. The company froze prices for its No Name brands for a limited time to give shoppers a break.

Moving ahead, though, I'd look for Loblaw to continue raking in the cash flow, as consumers continue flooding in to save money in a recession year. Loblaw tends to have some of the best prices in the Canadian grocery scene. It's this pricing advantage that should give a lift to the stock through 2023.

At $121 per share, shares go for 19.1 times trailing P/E. A fair value for a top-notch play!

CATEGORY

1. Investing

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