



2 Top Tech Stocks to Buy in a Recession

Description

Would you buy tech stocks in a recession? It sounds like a risky prospect, but some tech stocks have been good recession buys in recent decades. In March 2020, when the COVID-19 pandemic hit North America and caused massive lockdowns, tech stocks were among the first to take a hit. However, they later recovered faster and better than other stocks whose fundamentals were affected by retail closures. Also, tech stocks tumbled more than any other category of stocks in the 2000-2002 dot com bubble but later recovered in a dramatic way, delivering an 810% return in just two decades.

In this article I will explore two tech stocks that could be good buys in today's tech-led bear market and possible recession.

Constellation Software

Constellation Software ([TSX:CSU](#)) is a Canadian [technology company](#) founded by Mark Leonard. Leonard's goal is to be the "best buyer of tech companies in the world." So far, he has proven himself to be a decent candidate for that title. Since it went public in 2006, CSU has acquired hundreds of medium-sized companies, and its stock has rallied 11,543%. It's been an incredible run.

What makes Constellation Software such a good recession buy specifically?

It comes down to CSU's business model. Or rather, the individual business models of the companies in its portfolio. A lot of tech companies sell discretionary goods (i.e., "pleasure goods") to consumers, or ad space to companies. Both of these types of services tend to see their sales fall during recessions. With Constellation's companies, it's just the opposite.

Constellation buys enterprise companies that sell crucial software to businesses and government agencies. Police services, government departments, and local businesses all depend on CSU's portfolio companies. These are essential companies and organizations that won't shut down just because there's a recession. So, it should come as no surprise that CSU's [most recent earnings release](#) beat expectations, with 33% revenue growth and 28% earnings growth.

Apple

Turning now to the United States, we have **Apple** ([NASDAQ:AAPL](#)). Apple is an extremely resilient company that has successfully weathered many a recession over the years. In 2008, when the U.S. financial system almost collapsed, Apple's sales and earnings both increased by high double digits. It was a similar story in 2020, when the COVID-19 pandemic caused a recession. It doesn't seem to matter what happens in the economy, people just love buying Apple's products.

Last quarter, Apple delivered a particularly strong showing, with 8% revenue growth and a modest increase in earnings. Most other tech companies had weak revenue growth and negative earnings growth in the same period. Apple's iPhone 14 launch was a big success, driving a wave of purchases that propelled Apple's profits to new heights. This makes Apple a resilient tech stock that's worthy of being bought, even in the midst of severe recessions.

Foolish takeaway

Recessions are often considered scary, and they are scary if you're holding low-quality assets. Unprofitable companies sometimes go bankrupt as a result of recessions. It's just the opposite with quality stocks. Because they are resilient, strong, and profitable, they gain from the turbulence that makes others go broke.

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