This Dividend Stock Is a No-Brainer for Bear Market Growth

Description

The bear's roar is getting louder as we enter the holiday season. Following the latest Federal Reserve interest rate hike and more bearish talk, investors are bracing themselves for a recession. Indeed, portfolios could be in for a bumpy ride, as the Fed looks to tackle wage growth, even if it means sparking more loss of employment going into 2023.

It's not easy to be a dip buyer anymore, with stocks retreating rapidly and retesting of the lows of 2022. While it seems like a great time to run to the hills along with the herd, I'd argue it's a better idea to stay the course. A lot of damage is already in the books. And while it's impossible to tell when the carnage will end, there are ways to make money in these types of bear markets.

Gains are still possible in the heat of a bear market

In this piece, we'll check out one dividend stock that I think could continue powering higher as the bear market moves into year two. Consider shares of Canadian grocery kingpin and 2022 outperformer **Loblaw** (TSX:L). As the bear market clawed at stock prices, shares of Loblaw have steadily climbed more than 18% year to date. That's a solid gain from a "boring" company that's woken up in a big way.

Though share price appreciation has caused the dividend to fall back to a modest 1.33%, I still think there's plenty of reason to get in the name ahead of another difficult year for stock investors.

Loblaw and other Canadian grocers have thrived amid inflation and falling consumer confidence. Despite chatter that grocers have taken advantage with so-called greedflation charges, Loblaw (and other grocers) claim to have saved Canadians considerable sums. Even with price hikes considered, Loblaw's stores still offer some of the best prices of the batch. And it's this ability to offer a superior value proposition amid hard times that will likely keep driving foot traffic, powering earnings in what could be another rough year.

Further, if a 2023 recession causes a rocky landing, with minimal accommodation from the hawkish Fed, expect Loblaw's lower correlation to the broader markets to come in handy. Currently, shares of the grocery retailer sport a 0.08 beta, making it one of the least-correlated stocks on the TSX Index right now.

In a bear market, lowly correlated gains could be key to doing well as inflation and an economic slowdown clash.

Loblaw stock: What about valuation?

At writing, Loblaw stock trades at 19.11 times trailing price to earnings and 0.7 times price to sales. Both multiples are in line with industry averages.

Give or take, Loblaw stock seems fairly valued here. Given the low beta and a dividend poised to grow amid hard times, it's arguable that shares should command a greater premium. Loblaw has done a spectacular job of managing through inflation, making its stock one that neither inflation nor an economic downturn can slow.

Foolish takeaway

The days of quick gains are over. Well-run grocers and defensive dividend plays are the way to do well as the bear market celebrates its first birthday. With one of the lowest betas out there, L stock is a standout player at a reasonable multiple. I'd not be afraid to load up the shopping cart at $121 and change per share.

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