Worried About the Stock Market? 3 Companies to Buy and Hold for the Long Term

Description

Economists expect a mild recession in 2023, as the Bank of Canada continues to hike interest rates to 4.25%. The rate hike is impacting businesses and consumers. According to a *CTV News* article, **RBC** expects rising inflation and interest rates to reduce an average household's purchasing power by almost $3,000.

While consumers spending power is decreasing, the Canada Revenue Agency (CRA) is increasing the Tax-Free Savings Account (TFSA) limit to $6,500 in 2023. Households struggling with inflation might take a break from the stock market, maintaining the bearish momentum in the stock market next year as well.

Should you be worried about the stock market?

The S&P 500 index is a good way to understand the overall stock market. The market has gradually stabilized over the years; the frequency of market correction reduced to 13 in 41 years and seven in 22 years. Historical data shows that a 10% and 20% dip in S&P 500 Index takes four months to recover. But a 20-40% dip takes an average of 15 months to recover.

The TSX Composite Index dipped as much as 17% (between the April peak and October bottom), but throughout 2022, the index fell 8.15%. It hints that the correction is gradual even after the tech bubble burst.

Three stocks to buy and hold for the long term

The current bearishness in the market has created an opportunity to buy fundamentally strong stocks that are trading near their lows due to market weakness. But their long-term growth remains intact.

goeasy

As the name goes, **goeasy** (TSX:GSY) is a stock that grows easily over the long term. A sub-prime lender would probably be the last choice of any normal investor in a high interest rate economy heading into a mild recession.

Past recessions have shown that delinquency rates increase in such an economy. That delinquencies were because of aggressive and lenient lending without mapping the credit risk in a worst-case scenario. But the credit market has matured, and goeasy has created a model that keeps risk in check by increasing provision for bad debt.

The company sailed through the 2009 sub-prime financial crisis with tepid growth for three years but gained momentum as the economy revived. The stock grew more than 600% between 2013 and 2020 and around 950% by 2022. So those who invested $200 per month in goeasy throughout its three-year bear phase increased their $3,600 investment to $37,700. The stock outperformed the market, despite halving its value in the tech bubble burst.

Till the third quarter, goeasy's loan origination grew 47%, as people moved to sub-prime lenders, because prime lenders tightened their credit. goeasy reported the highest percentage of low-risk loan originations, which reduced its provision for loss to 7.58% from 7.68% in the previous quarter.

The company can survive the upcoming recession smoothly and return to its long-term growth when the economy revives. The 2009 opportunity has returned. It's time to invest $200 per month in goeasy throughout 2023 and hold the stock for a decade for 10-fold growth.

Two resilient stocks near their 52-week low

TC Energy (TSX:TRP) and **Algonquin Power & Utilities** (TSX:AQN) stocks are trading near their 52-week lows, as recent events scared short-term investors.

TC Energy's Keystone pipeline reported its biggest oil spill pulling the company's stock down 18%.

But the oil spill won't lead to a dividend cut, as the Keystone pipeline accounts for less than 12% of TC Energy's net income. The company has resumed the undamaged part of the pipeline. Moreover, the company has many natural gas pipelines coming online in the next four years, which could grow its dividend at an average annual rate of 3-5%.

Similarly, Algonquin stock also fell 40% to its 52-week low, as the rising interest rate increased its interest expense on floating rate debt, affecting its net income. The company is funding its $2.65 billion acquisition of Kentucky Power with $1.2 billion debt, the majority of which is a floating rate loan. It could impact the company's dividends. But its cash flows would continue to grow in the long term. When the interest rate reduces, the company can increase its dividend, benefitting long-term investors.

CATEGORY

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TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:GSY (goeasy Ltd.)
3. TSX:TRP (TC Energy Corporation)

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