



Canadians Investors: How to Know When We've Hit a Recession

Description

Canadians will go through several recessions during their lifetimes. Some will be awful; others will be mild, such as the one expected this round. And yet, it's like our brains want to only focus on the good coming out of a [recession](#).

In fact, we tend to forget even the basics of a recession, besides that it's, you know, *bad*.

Today, let's look over exactly what constitutes a recession in Canada, if we're getting close, and how you can protect yourself.

What exactly *is* a recession?

A recession is a prolonged period of economic decline. Recessions usually happen over a 10-month period but can last longer, such as the Great Recession, which lasted 18 months in the United States. Trade and industrial activity go down, and the recession itself is identified when gross domestic product (GDP) declines for two successive quarters.

So, what about now? During the last quarter, Canada's GDP actually increased for the fifth consecutive quarter. Real GDP rose 0.7% in the third quarter of 2022, but there was the start of the fall in some industries. Consumption and capital investment fell by 0.2%, and there were declines in the housing market as well.

This was already a decrease from the last quarter, with the second quarter seeing an increase in GDP of 0.8%, the same for the first quarter. Yet the fourth quarter of last year came in at a 1.6% increase, so we're a long way from those numbers, edging closer to recession territory. However, we're unlikely to really know until May 2023.

That gives you *time*

What all this means, especially the last part, is you still have time to prepare. The fourth-quarter GDP

results are due around March. This will tell us whether we're seeing that decrease or not, and if we're nearing recession territory. If it *does* decrease, it's likely we'll see the markets react, reaching a bottom around May should we again see a quarterly decline in GDP.

So, what this means is you have time to get together stocks, bonds, anything that can protect you during this downturn, and see you out of it as well. In that sense, I have three investments I would recommend at this point: **Teck Resources** ([TSX:TECK.B](#)), **NorthWest Healthcare Properties REIT** ([TSX:NWH.UN](#)), and **BMO Corporate Bond Index** ([TSX:ZCB](#)).

Why these three?

Each of these stocks have a benefit during a recession. Teck stock deals with basic materials. These materials include silver, coal to make steel, copper and fertilizers, products all essential to our daily life. What's more, the company has a strong balance sheet after bringing in half a billion from the sale of assets. Shares are up 38% in the last year as of writing, and it still trades at 6.56 times earnings.

NorthWest [REIT](#) is a great stock if you want protection through passive income. The dividend stock is protected by investing in healthcare properties around the world, with long-term contracts at an average 14-year lease agreement. It currently offers a 7.98% dividend yield and trades at just 8.62 times earnings.

Finally, bonds are a huge help in a recession. So, I would go with ZCB because of its investment in corporate bonds. You can lock up fixed income through attractive bonds yields right now, but be careful. Over time the yields can drop after a financial crisis and then growth is quite low. So, it's really only good for, say, the next year.

Bottom line

By protecting yourself ahead of any type of recession announcement, you can be sure to be ahead of the curve. You'll bring in passive income to bolster your investments, provide protection from an essential stock, and bring in fixed income from bonds — all of which will certainly help in this hard year ahead.

CATEGORY

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TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
2. TSX:TECK.B (Teck Resources Limited)
3. TSX:ZCB (BMOorate Bond Index ETF)

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