3 Cheap Stocks I'd Buy in Bulk When a Recession Hits

Description

The Bank of Canada increased the interest rate this week to 4.5%. That's the highest it's been since December 2007, and we could be in for even more hikes! That's all to say that a recession looks more likely than ever. That means we could be hit with a deluge of cheap stocks.

But here's the thing. We're not technically in a recession until there have been two consecutive quarters of decreased gross domestic product (GDP) growth. While we're see a slump, the economy is actually still growing. So, we're not even in a recession yet.

But that doesn't mean you shouldn't be planning for one. A recession is likely to occur soon. When it does, you'll want to have a watchlist ready to pounce on great opportunities. That's because economists believe by the second half of 2023, we'll enter a bull market. So, here are the top three cheap stocks I would buy when the recession does come.

A dividend stock

If you want a passive-income stock that's going to rebound quickly, you want a Big Six bank. Canadian banks have proven time and again that they can recover quickly thanks to provisions for loan losses. One of those includes **Canadian Imperial Bank of Commerce** (TSX:CM), which continues to be a huge deal these days.

CIBC stock offers a dividend yield at 5.79% as of writing and trades at just 8.7 times earnings. Shares continue to be down by 22% in the last year, providing you with huge returns when (and I do mean *when*) shares return to pre-fall prices. So, it's definitely a cheap stock to add to your watchlist.

Over time, CIBC stock has climbed 126% in the last decade for a compound annual growth rate (CAGR) of 8.48%. Meanwhile, its dividend has increased by a CAGR of 6% in that time.

Get basic

If you're worried about surviving a recession, you want to get back to basics. I mean that literally. Basic materials are an excellent way to provide protection during a downturn, and it's something the great Warren Buffett always points out. That is why **Teck Resources** (TSX:TECK.B) is such a great option.

Teck stock is one of the cheap stocks out there that's still doing quite well. After fall last year, shares bounced back up after the company made a sale to bring in half a billion onto its books. It now trades at just 6.6 times earnings, with shares actually *up* by 40% in the last year!

Teck stock has been climbing for decades though, providing you with growth protection for decades on the TSX today. Shares are up 77% in the last decade for a CAGR of 5.88%. Plus, it would now take just 38% of its equity to cover all its debts.

Nourish your future

If there's one thing we'll continue to need in the future, it's food. But that's a problem. We've now surpassed a global population of eight billion, which means there are over eight billion mouths to feed. And there's even less arable land. So, that's why crop nutrient companies continue to be in high demand.

But perhaps none so much as **Nutrien** (TSX:NTR). Nutrien stock is still a cheap stock you can buy, even though it's also been one of the growth stocks that's exploded over the last few years — especially in the last year, though it's come down since then. Now, it trades at just 5.6 times earnings, has a 2.44% dividend yield, and shares are *still* up by 21% in the last year.

Nutrien stock is still one of the relatively new cheap stocks out there. Shares are up 80% since 2018 — a CAGR of 12.33%.

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TICKERS GLOBAL

1. TSX:CM (Canadian Imperial Bank of Commerce)
2. TSX:NTR (Nutrien)
3. TSX:TECK.B (Teck Resources Limited)

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