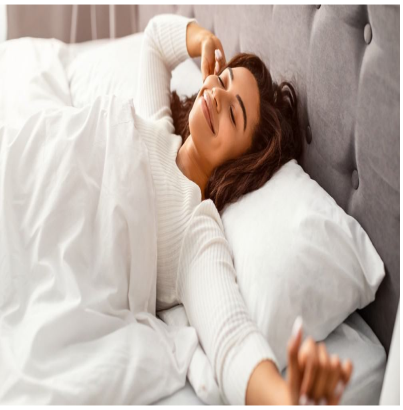

Betting Against a Recession? 2 Savvy Stocks for an Economic ‘Soft Landing’

Description

A big chunk of last year was spent fretting over the recession to come. The U.S. Federal Reserve is hiking rates, but hopes to orchestrate a so-called “soft landing” for the economy. The bears doubt the landing will be so soft. However, many pundits do view the downturn on the horizon as one that could be mild.

As central banks slowly take their foot off the gas, earnings are bound to fade, and layoffs in various white-collar sectors could drag on. Regardless, I do think new investors needn’t fear the coming Fed-mandated recession that many have already spent a year or so worrying about.

As an investor, you should be all about investing for the long haul. That means investing through a recession and going on the hunt for stocks that may be underpriced amid any sudden moves made by a jittery Mr. Market.

At this juncture, a soft landing seems likelier than a hard one amid the market’s latest run-off the bottom. But investors should be ready for anything. Sometimes, even the likeliest outcome fails to materialize as events we don’t see coming can have a drastic impact. The COVID-19 pandemic and its effect on the U.S. economy should keep many investors humble about the unknowns that lie ahead.

In any case, this piece will look at two names that could experience more upside than the TSX Index if the economy is slated for a soft landing. When sentiment shifts on a dime and investors look forward to a post-recession recovery, it’s the risk-on plays that tend to experience the biggest gains. Indeed, the biggest losers tend to turn into the biggest winners once the tides turn.

Consider shares of **Magna International** (TSX:MG) and **Sleep Country Canada Holdings** (TSX:ZZZ).

Magna International

Magna is an auto-parts maker that really heated up in late 2020 and early 2021, as the EV (electric vehicle) hype spread across the broader auto sector. Despite the EV shift and Magna’s role in providing vital supplies to build the innovative new rides of the future, the firm is not immune to recessionary headwinds.

Recently, the company reported an earnings miss that sparked a swift 10% plunge. Per-share earnings of $0.91 were below the $1.08 expectation. CEO Swamy Kotagiri noted numerous headwinds behind the miss. Further, higher costs could continue to eat away at margins in future quarters.

Indeed, there are no easy solutions for Magna as it tackles macro headwinds and inflation pressures. Looking further out, I do view MG stock picking up where it left off before its 2021 plunge. Magna's well-run and will still be a critical supplier to many auto firms itching to electrify.

Down more than 40% from its high, MG stock looks like a solid value at 17.1 times trailing price-to-earnings (P/E). The 3.43% dividend yield is a nice bonus.

Sleep Country Canada

Sleep Country Canada is a mattress and sleep retailer that investors shouldn't sleep on. Amid recession fears and inflation, demand for pricy mattresses just hasn't been as robust. As conditions normalize, though, I'd look for Sleep Country stock to wake up in a big way for investors.

The stock is fresh off a plunge of around 48%. Yes, recent quarters weren't amazing. But as things turn, look for Sleep Country to boom after its bust, as people who delayed major mattress purchases finally look to return to Sleep Country's showrooms.

At 9.5 times trailing P/E, with a 3.56% yield, ZZZ stock is another promising long-term play that may make sense to buy amid macro woes.

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joefrenette