Darrin Eakins: Investment Considerations When Recession Risks Are High

With recession risks on the rise, investor Darrin Eakins discusses some vital considerations.

WILMINGTON, NORTH CAROLINA, UNITED STATES, January 6, 2023 /EINPresswire.com/ -- Recessions are all but inevitable, and right now, many economists warn that recession risks are on the rise. High inflation, supply chain problems, nervous investors, and many other factors could cause the economy to contract and financial markets to sink. Darrin Eakins urges investors to consider some essential factors.

“At some point, the economy will contract,” Eakins notes, “the important question is when? Of course, predicting the future is difficult, but some preparation right now will help you react when the next downturn comes and may also allow you to spot a market decline before it fully sets in. But the first step is to remain calm.”

Knee-jerk reactions and panic moves often lead to further problems. During the 2009 Great Recession, for example, many people got cold feet and sold stocks while markets bottomed out. If they had held onto their stocks, they could have cut and eventually eliminated their losses.

Right now, you’ll find plenty of headlines stating that the next recession is fast approaching. The problem is these headlines have been common over the past few years. Of course, the analysts fretting over market declines right now might be right. Just remember, however, that simply because a dire prediction made the news, that doesn’t mean that it’s correct.

“Every investor should pay close attention to the news, but at the same time, make sure you take everything with a grain of salt,” Darrin Eakins suggests. “You’ll also want to digest news from diverse publications and be careful not to fall into an echo chamber.”

With all that said, let's look at some specific recession portfolio considerations.

Investing During Recessions
Some sectors do better than others during recessions. Of course, an economic downturn will detrimentally impact many companies in many different fields. Still, some industries may experience less turbulence than others, which is something investors should keep in mind.

Health care, for example, is typically resilient even in the face of severe downturns. Communications and consumer stables, like grocery stores, also tend to weather the storm better than other sectors. Ditto for utilities and the energy industry. Customers purchasing goods and services from these firms will often continue to do so even if the economy is contracting.

"During economic contractions, many consumers will avoid luxury spending, say buying smartwatches or taking vacations," Darrin Eakins points out. "But folks will still strive to pay their utility bills and for healthcare and the like. As a result, such industries may do better."

Of course, it's wise to closely examine any company you're looking at. Financials are always important considerations for investors, but during challenging economic times, a healthy balance sheet is even more critical. A company with a lot of cash on hand will be at much less risk of collapsing, for example.

"During the Great Recession, we saw some cash-strapped companies like automakers go bankrupt," Darrin Eakins notes. "They didn't have the money to survive on their own. Investors should be wary right now of companies with poor financial health."

Investors should always keep a close eye on their portfolio, and with recession risks rising, it's vital to closely examine your portfolio.

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