2 Defensive Dividend Stocks for a Volatile Market

Description

As the six-year bull market in North American equities continues to roll along, analysts are starting to see some cracks forming in the Canadian rally.

Trying to call a top or bottom in the market is unwise, so it's important to ensure your portfolio is well balanced. That means having solid stocks that can ride out volatile times.

With this thought in mind, I think investors should consider buying **Metro Inc.** (TSX:MRU), and **Potash Corp./Saskatchewan Inc.** (TSX:POT)(NYSE:POT).

Metro

Competition in the Canadian grocery and drug store sectors can be pretty intense, but that doesn't mean companies are struggling.

Metro Inc. is one of the best-run businesses in the industry, with more than 1,000 grocery and drug store outlets located in Ontario and Quebec.

The regional focus has been a benefit as the company continues to drive down costs while improving sales volumes in both its large centres and smaller markets.

The company recently reported strong year-over-year sales growth of 6% and net earnings grew by more than 15%.

The company is a good defensive bet because people have to eat and take their pills regardless of their economic situation. Metro operates a balanced portfolio of high-end stores and discount stores, so one sector offsets the other depending on how frugal its customers feel.

Since January 2014 the company has increased its dividend by 40%.

Potash Corp.

Staying with the food theme, Potash Corp. is one of those names that investors should buy and simply forget about because demand for the company's core product can only increase.

The global population is currently above seven billion. This number is expected to rise for the next 35 years and could be as high as 11 billion by 2050.

That's a lot of extra mouths to feed and the world has less arable land available every year. One way to improve yields is to use crop nutrients, and potash is a core part of that mix.

Demand for potash hit a record 61 million tonnes in 2014. Global prices have been under pressure in the past couple of years due to battles for market share by some of the larger producers. Over time, this will settle down and margins will improve.

Investors should buy Potash Corp. now because the company is wrapping up a massive multi-year capital program to expand its production facilities. As these projects shift from development to production, cash flow available for distribution to shareholders should increase significantly.

Potash pays a dividend of US$1.52 per share that yields about 4.5%. The payout has increased substantially in recent years and that trend should continue once global prices start to firm up.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)

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