



3 Top Defensive Stocks for Uncertain Times

Description

Growing concerns over an acute economic downturn in China coupled with fears that the U.S. stock market is overvalued has roiled global markets, triggering a sharp sell-off of stocks. With a range of indicators highlighting that central banks have lost control of the global economy and are unable to right the ship as they did several ago, there are fears the rout in stocks will deepen as economic growth grinds to a halt.

This makes it essential for investors to weatherproof their portfolios against the coming financial storm. One of the best ways to do this is by investing in high-quality defensive stocks that operate non-cyclical businesses with wide economic moats. Let's take a closer look at three of Canada's best defensive stocks.

Now what?

Electric utilities are typically among the best defensive stocks because not only does the demand for electricity remain constant, but the industry also has steep barriers to entry. This endows them with a wide economic moat that protects their earnings.

One of the best is **Canadian Utilities Ltd.** ([TSX:CU](#)). It is one of Canada's largest electric utilities and derives a considerable proportion of its earnings from regulated sources, virtually guaranteeing those earnings. This has allowed Canadian Utilities to hike its dividend for 43 straight years, giving it the longest streak of dividend hikes of any Canadian stock. As a result it is now yielding almost 4% and despite Canada dipping into recession and concerns over the direction of the global economy, it is likely that this impressive streak will continue.

Another sector associated with defensive stocks is consumer staples; those products that households are either unable or unwilling to do without no matter the state of the economic cycle. The best way for investors to gain exposure to this sector is with **Empire Company Ltd.** ([TSX:EMP.A](#)). It operates 1,500 Canada wide grocery stores under the Sobeys name and beefed up its business footprint through the acquisition of Canada Safeway in 2013.

While consumer staples certainly don't possess the same economic moat as electric utilities, Empire

Company has been able to consistently grow earnings year in and year out. I expect this growth to continue because it is focused on making further accretive acquisitions as the opportunities arise, taking cost-cutting measures, and rationalizing its existing business. These strengths have allowed Empire Company to reward investors with a 20-year streak of dividend increases; it now yields 1.4%.

My final choice could surprise some investors, considering the commotion surrounding the energy patch at this time. Nonetheless, pipeline and midstream services provider **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) has demonstrated that it is a solid defensive choice. Not only has its business remained relatively immune to the sharp collapse in crude, but there remains considerable demand for the services it provides.

You see, Enbridge, as Canada's largest provider of oil transportation and storage services, is a key link between the energy patch and key refining markets in the United States. A key tailwind for Enbridge is that Canada is suffering from a lack of oil transportation capacity despite the energy companies cutting back on crude production. This is hamstringing efforts to economically bring Canadian crude to market, and provides Enbridge with an opportunity to grow by expanding its pipeline network. This will allow Enbridge to continue growing earnings over the long term.

These strategies have allowed Enbridge to hike its dividend for the last 19 straight years, giving it a juicy yield of almost 4%.

So what?

Each of these stocks offer the opportunity to weatherproof any portfolio against the coming economic storm, and will continue to reward investors with a regular income stream as they wait for an improvement in the economy.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:EMP.A (Empire Company Limited)
4. TSX:ENB (Enbridge Inc.)

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Author

mattdsmith

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