You Probably Own 1 of These Top Canadian Stocks, But How Safe Is It?

Description

Much is being written at the moment about the defensiveness of Canadian stocks; to a large degree, this denotes a certain nervousness of investors. As a number of potentially catastrophic stressors mass on the horizon, domestic portfolio owners want to know that their investments are secure.

With this in mind, let's take three of the most defensive stocks on the TSX, commonly held to give investors security in the face of economic uncertainty, and see just how fit for purpose they are. To do so, several factors will be taken into consideration: market cap, dividends, debt, past performance, and value as per the P/E ratio.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

The Bank of Nova Scotia had a great run of it this summer, beating expectations and generating any number of investment think-pieces. With a market cap of $96 billion, Bank of Nova Scotia is big – but not the biggest bank on Bay Street. Its P/E of 11.3 times earnings beats the Canadian banking brigade and the TSX itself, however.

A one-year past earnings growth of 5.6% can't match the industry average of 10% for the same period, and falls just shy of its own five-year average past earnings growth of 5.5%. That said, its dividend yield of 4.41% is pretty good, and the bank holds an acceptable proportion of non-loan assets.

Canadian National Railway (TSX:CNR)

If you like your infrastructure stocks, Canadian National Railway has to be one of the most sturdy. With a market cap of $82 billion, it's one of the more sizeable stocks, and a good fit for this list. While a P/E ratio of 15.1 times earnings is good for a Canadian stock in general, bear in mind that the industry average is 12.3 times earnings, so you will be paying over the odds at today's price.

A one-year past earnings growth of 43.9% trails the industry average of 183.4% for the same period, though it beats its own five-year average past earnings growth of 14.6%. A dividend yield of 1.6% is pretty small; however, in terms of liability, its proportional debt of 68.4% of net worth could be worse.

Suncor Energy (TSX:SU)(NYSE:SU)

If you are a fan of defensiveness in a portfolio, chances are you hold shares in Suncor Energy. Its market cap of $83 billion qualifies it as a sufficiently sizeable asset to hold long-term, while its P/E of 18.6 times earnings, conversely to Canadian National Railway's same ratio, beats the industry but trails the market. This is probably a better way around, though, as it shows that Suncor Energy can go head-to-head successfully with its competitors, unlike the previous stock.

A one-year past earnings growth of 63.5% far excels the industry average of 0.5% for the same period; likewise, it betters its own five-year average for past earnings growth of -3.4%. While a dividend yield of 2.87% could be a touch higher, a debt level of 39.8% of net worth is acceptable.

The bottom line

If you own the three stocks listed above, it appears that you're in good hands. If you're thinking of buying, Suncor Energy looks like the strongest play today, with the railway stock being somewhat of a weak link in terms of both dividends and past performance.

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vhetherington