



Don't Risk Your Money: Buy These 2 Defensive Stocks Now

Description

At times, markets are optimistic and strong, but at other times, markets are more pessimistic and [risk averse](#).

Nobody would debate the fact that in the last few years we have been lucky enough to benefit from very optimistic markets, with investors focusing on the good and often seemingly ignoring any hint of bad news.

But sentiment has been shifting recently.

Is this sentiment shift here to stay, or is it just a phase that will be shrugged off for an ultimate return to the same optimistic, positive sentiment?

I would argue that this shift is here to stay, largely because interest rates are rising and the [yield curve flattening](#).

Here are two stocks that are perfect for such an environment. They are part of the consumer staples sector — a sector that is not economically sensitive due to the essential nature of the goods sold. Buy these two defensive stocks for peace of mind and safety of principle.

Metro ([TSX:MRU](#))

With a \$10.6 billion market capitalization and a 1.73% dividend yield, Metro has been a story of consistency, stability, and shareholder wealth creation.

And with the stock hovering in the \$40-45 level in the last two years and now slipping to just above \$41, despite continued strong results and dividend increases, we are presented with a good entry point.

To illustrate my case, 2018 earnings are expected to be 6.3% higher than 2016 earnings, and the annual dividend was increased by 16% in 2017 to \$0.65 per share and by 10.8% earlier this year to the current \$0.72 per share.

Furthermore, the company's steps to diversify to ensure continued growth well into the future came with its acquisition of Jean Coutu, the Quebec-based pharmacy, a strong free cash flow business with a strong retail brand, which closed on May 11, 2018.

Diversifying into the pharmacy retail business is a very positive step for Metro, as it will deliver cost synergies, cross-selling synergies, and increased efficiencies.

Specifically, management forecasts that they will achieve \$75 million in synergies by 2021.

Maple Leaf Foods ([TSX:MFI](#))

Maple Leaf has been creating shareholder value for a long time now, and this sharp pullback after a disappointing third quarter is a great long-term buying opportunity.

In fact, the stock's 10-year return is a healthy 327%, and the company's history has been of increasing profitability, dividends (+175% growth in dividends over the last three years), and share buybacks — all of these creating shareholder value.

The company has built a national brand, and continues to focus on cost cutting, expanding its geographic footprint, and with cash on its balance sheet, the company is able to do so while continuing to return cash to shareholders.

The company has done such a good job that EBITDA margins have more than doubled since 2006, and going forward the target EBITDA margin target has been increased to 14-16% from the prior 10%

This leading consumer protein company will continue to innovate with new product offerings and acquisitions, driving strong, consistent growth in its \$3 billion revenue base.

CATEGORY

1. Investing

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1. TSX:MFI (Maple Leaf Foods Inc.)
2. TSX:MRU (Metro Inc.)

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