Sell All Your Stocks? Sure, but Keep This 1 Defensive Dividend Payer

Description

What with the IMF downgrading the global growth outlook, ongoing trade war machinations between East and West, rising interest rates, and any number of other economic stressors, a nervous investor might be starting to wonder whether it may indeed be time to get out of stocks.

But before you rush to sell everything you have ahead of a fiscal storm, bear in mind that even in the most dire of crashes, the stock markets have survived. Losses will be incurred, fortunes lost – but value opportunities will also open, and the sturdiest of tickers will go on ticking.

Below you will find one of the best – a favourite of the TSX index, a solid dividend payer, and one of the most defensive stocks that Canadians can get their hands on. It's one to buy and hold long-term, even after other stocks have seen massive sell-offs, ideal for a TFSA, RRSP, or other life-long savings account.

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

If you take a beefy market cap of $72 billion and mix in a solid one-year past earnings growth of 63.5%, you'll have the basis for a truly defensive dividend superstar. That past growth beats a five-year average past earnings contraction by 3.4%, and goes nicely with a PEG exactly equal to growth, and an acceptable debt level of 39.8% of net worth.

So far as value goes, I use a mix of variables and dividends when I assess long-term defensive buys to hold for passive income. Value is one factor in a three-factor system I use to decide whether a stock is worth buying; it's not dissimilar to some of the tools used in stock screening. Suncor Energy looks good with a P/E of 16.5 times earnings, P/B of 1.6 times book, and a steady dividend yield of 3.25%, with verifiable stability over the last ten years.

Quality is the second factor taken into account when a screening is undertaken: a ROE of 10%, reasonable EPS of $2.69, and 17.2% expected annual growth in earnings make for a decent score in this department. With momentum as a third factor, we can see that Suncor Energy's five year beta of 1.3 relative to the market indicates low volatility.

However, it has also shed 5.31% in the last five days as part of a market-wide sell off that has seen many stocks slide post-July. Unique or not, this percentage must be factored into the overall momentum score, though bear in mind that this October has seen a general skewing of that factor across the board. Throw in a share price discounted by 16% compared to its future cash flow value, and Suncor Energy is looking a bit wobbly on momentum.

The bottom line

While any big energy company on the TSX or NYSE counts as a competitor for Suncor Energy, the fact is that this is a stand-out gem of a defensive Canadian dividend stock. The above data-wrangling gives a moderate to strong buy signal, which in today's far from certain economic climate is about as positive a recommendation as one can hope to get.

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