Get Defensive As Rates Rise With These 3 Top Stocks

Description

While interest rates are still low relative to history, the most recent 25 basis point increase in the Bank of Canada's benchmark rate brought it to 1.75%, a whopping 125 basis point increase from 2017 levels.

Investors should make no mistake. Rising interest rates are negative for stocks, especially growth stocks that are trading at elevated multiples, but growth stocks in general.

Here are three top defensive stocks to consider in order to add a little defensiveness to your portfolio as we face a future that will be negatively impacted by rising interest rates.

Metro Inc. (TSX:MRU)

With an $11 billion market capitalization and a 1.58% dividend yield, Metro has been and will likely remain a story of consistency, stability, and shareholder wealth creation.

Metro stock has rallied 11% in the last year, defying market weakness, and shining bright in a sea of red.

And this makes total sense, as continued strong results and dividend increases have been typical of the company.

To illustrate my case, 2018 EPS was $0.63 versus $0.51 in the same period last year for an increase of 23.5%, buoyed by the Jean Coutu acquisition. 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.

Metro's P/E multiple is approximately 17 times and has room to rise, as the company's future looks good and relatively unaffected by rising rates and potential consumer weakness.

Manulife Financial Corp. (TSX:MFC)(NYSE:MFC)

With a market capitalization in excess of $50 billion, Manulife is a force to be reckoned with, with a strong past and a very promising future.

In the last five years, the company has seen a 15% compound annual growth rate (CAGR) in core EPS, a 28% CAGR in the business value in Asia, and strong growth in its global wealth and asset management business, with a 20% CAGR in assets under management.

And all this while maintaining a strong capital position.

Manulife continues to see strong growth in wealth and asset management, and in its expansion in Asia, making it so much more than a Canadian life insurer.

Third-quarter earnings were significantly better-than-expected, with EPS of $0.75 (compared to consensus estimates of $0.67).

And the company increased its dividend by 14% this year.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC stock is down 7% year-to-date, yet the company continues to post strong results and increase its dividend.

CIBC's most recent results show continued strong growth, as adjusted EPS cam in well above expectations and increased its dividend once again, this time by 2.3%.

And the bank's net margin increased by 10 basis points to 2.49%, and it can be expected to continue to benefit from rising interest rates.

CIBC stock's dividend yield is currently 4.81%.

CATEGORY

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)
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