# 3 Great Defensive Stocks to Buy Before 2019

## Description

2018 is nearly in the books, and barring a big December rally it'll go down as a year to forget for Canadian investors.



As I type this, the **TSX Composite Index** is down approximately 8.5% on the year and is currently flirting with fresh 52-week lows. Oil stocks have been especially hard hit, with the energy sub-index falling close to 25% thus far in 2018.

It doesn't seem like the carnage is about to end, either. Weak energy prices continue to depress Alberta's economic output. Trade tensions between the United States and China could see Canada get caught in the crossfire. The Canadian consumer is dealing with a record debtload, too. Add all this together and it's easy to envision a scenario in which Canadian stocks continue to be weak in 2019.

Investors can counter this by getting defensive, buying stocks that will do much better than the overall market in such a scenario. Here are three great low risk stocks to buy before 2019.

**BCE**

Even if the economy gets pretty bad, you're still going to pay your cell phone, internet, and television bill. It's pretty much impossible to live without a smartphone or fast internet these days, and television is still cheap entertainment. This creates a nice moat, an advantage **BCE Inc.** (TSX:BCE)(NYSE:BCE) has enjoyed over other companies for decades now.

BCE shares have already demonstrated their inverse relationship to the rest of the **TSX Composite Index.** After hitting a fresh 52-week low back in October, shares have rallied some 10% while the overall market has continued its march downward. Over the last three months, BCE has outperformed the index by approximately 14%.

The company has many other qualities investors should be looking for, including great returns on equity, a high current dividend yield of more than 5%, and the ability to pass on price increases to customers. It owns Canada's fastest wireless network and many of our top cable channels. These are great assets to own no matter what the underlying market does.

**Algonquin Power**

Another sector that will outperform if markets continue to be weak is power generation. Canada has numerous great utilities, but **Algonquin Power and Utilities Corp** (TSX:AQN)(NYSE:AQN) might be the finest of them all.

Algonquin has diversified both away from power generation and into the United States. It has more than $10 billion worth of power, natural gas, and water generation and distribution assets serving some 750,000 customers in both Canada and the United States. The company also recently announced it bought gas distribution assets in New Brunswick for $331 million, a move that should be immediately accretive to earnings per share.

Like BCE, Algonquin pays a generous dividend. Shares currently yield 4.4% despite flirting with a new 52-week high. The company has delivered great dividend growth as well; it has increased the payout each year since 2010.



**Metro**

The bull case today for **Metro Inc.** (TSX:MRU) is twofold. First, the grocer has traditionally been a good performer when the rest of the market is selling off. Shares are up more than 7% in the last month, which beats the TSX Composite's performance by about 9%.

Investors should also be bullish because Metro has further solidified its position in Eastern Canada by acquiring Jean Coutu. Critics have argued for years that the company should get into the pharmacy business, a part of retail that delivers more consistent margins and comes with real customer switching costs. Folks will gladly go to a new store to save money on bread, but they won't be so quick to switch pharmacists.

Metro's dividend yield will hardly impress most investors — it stands at a mere 1.6% today — but the company makes up for it by having an aggressive share repurchase program. Since 2008, Metro has repurchased approximately 100 million of its own shares, with the only blemish being when it issued new shares to acquire Jean Coutu. Thus, shareholder yield is closer to 5%.

**The bottom line**

If 2019 continues to be rough, you won't regret buying these defensive choices now. Not only will an investment in Metro, Algonquin, and BCE protect your capital; you'll also get paid generous dividends while waiting for the market to recover. That's a nice combination to have at this point in the economic cycle.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BCE (BCE Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BCE (BCE Inc.)
5. TSX:MRU (Metro Inc.)

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