Miners and REITs: 2 Key Defensive Stocks Panicked Investors Are Overlooking

Description

As investor confidence oscillates after the markets were mightily spooked over Christmas, TSX index stocks, like the two listed below, should start to see some improvement in the coming weeks as panicked investors look for defensive sectors. Canadian investors seem to be moving towards defensive utilities post-Christmas crash; I've added a high-performance REIT to a mining pick (no pun intended) for an overlooked defensive double-whammy.

A tentative post-Christmas rally has combined with a rise in copper prices to make the following miner look like a sound choice if you're shopping around for precious metals and minerals; meanwhile, lower oil should see a boost to retailers and other industry sectors that rely on vehicular transportation, hence the following choice of REIT.

Lundin Mining (TSX:LUN)

A PEG of 0.4 times growth and low comparative debt of 10.3% of net worth make Lundin Mining a low-risk, undervalued TSX index mining super-stock. It's nice and solid, pays a dividend, and has some great market variables, such as a P/E of 9.7 times earnings and P/B of 0.8 times book.

A nice little dividend yield of 2.21% pairs well with a significant 27.8% expected annual growth in earnings, while capital gains investors should have plenty to interest them as well, such as a beta of 2.6, indicating fairly high volatility. Lundin Mining gained 1.83% in the last five days, as investors in the TSX index sought out stability in the face of market uncertainty, though its share price remains discounted by a good percentage — currently 39% compared to its future cash flow value.

Artis Real Estate Investment Trust (TSX:AX.UN)

Your go-to Canadian office, retail, and industrial real estate investment trust (REIT), this is one of the hottest TSX stocks to watch for 2019. There are definite benefits to holding defensive Canadian REITs, though observers wary of housing bubbles spreading across the nation might not think so at first glance. Aside from attractive valuation and a chunky dividend yield, this REIT allows investors to plug straight into several core commercial real estate sectors in one fell swoop.

Though Artis's PEG is illegible, a P/E of 7.3 times earnings and P/B of 0.6 times book signify undervaluation, and its share price is discounted by 43% against valuation per future cash flow. It's shed 0.22% in the last five days, although you might expect to see that margin close up in weeks to come.

One thing to be aware of with REITs is that risk is key. Artis has a below-market level beta of 0.7, indicating lower-than-average volatility, though a debt level of 94.9% of net worth is of some concern (though normal for REITs on the TSX index). A dividend yield of 6.1% and 12.4% expected annual growth in earnings make this a strong pick for passive-income investors.

The bottom line

Risk-shy investors looking to make money with stocks in 2019 might want to weigh up the kinds of stocks listed above. While they're not as defensive as some other investments, it pays to be diversified, and both miners and REITs should have a place in any moderately sized TSX index portfolio.

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Date
2025/08/18
Date Created
2018/12/30
Author
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