



Is Telus (TSX:T) or Metro (TSX:MRU) a Better Defensive Buy in 2019?

Description

Many predict that volatility will continue this year. One reason? The days of government's bailing out markets are gone or at the least on hold. I'll explain why, but recall during the panic of the Great Recession, governments printed money to inject liquidity into the markets, which has helped buffer volatility. (And to think that bear market could have been worse!). I previously wrote how [lack of liquidity](#) is an investment risk.

But times have changed. Media talks about individual debt levels even though government debt is nuts. The U.S. debt surpassed an ominous benchmark ==> \$21 billion, according to *usdebtclock*. There's an app for everything these days. You can track the U.S. debt from your smartphone if you wish.

U.S. debt is \$66,000 USD per citizen, just above the average annual U.S. salary. One implausible way for the U.S. to wipe out the debt is to have each household donate their entire salary for one year. Never in a million years.

Do-it-yourself investors can do themselves a favour with active management in 2019. Building exposure in defensive stocks is a good way to risk-adjust a portfolio. Here are two options.

My first choice is **Metro Inc.** ([TSX:MRU](#)). Although margins on food are low, this company of food chains has consistently found a way to squeak out best-in-class performance. The return on equity has never dropped below 20% in the last several years, an indication that management runs a tight ship.

After languishing for a year, Metro shareholders are being rewarded handsomely. Many viewed **Amazon.com's** ([NASDAQ:AMZN](#)) move into the food business, with the acquisition of Whole Foods, as the kiss of death for Canadian grocers. But Metro has a pretty competitive moat — one that can't easily be engulfed even by Amazon.

If you own Metro, then my advice is not to sell, as the stock price hit an all-time high. That means there is no historical precedent for how high the price could climb. According to a forward earnings price multiple, the stock is fairly well priced.

My second pick is a telecom: **TELUS Corp** ([TSX:T](#))([NYSE:TU](#)). Simply put, Telus customers seem happy. This is reflected by the low “churn rate,” a term to measure how often the company loses a customer. Telus has a churn rate of 0.9%, which means that less than 1% of customers took their business elsewhere.

The average revenue per user (“ARPU”) was \$57.28 for Telus in 2018 Q3. High customer satisfaction and the Manitoba telecom acquisition tailwind will each help to produce dependable revenues. Slow and steady is how Telus will do in 2019. A most attractive part of owning Telus shares is the dividend, which is currently at 4.8%.

Capital appreciation over income?

Play a bit more defensively with these two and one [other](#) stock pick. Metro has been growing its revenue at a faster clip, but Telus pays a higher dividend. Picking one over the other depends on investment priorities. Either way, both are solid moves for 2019.

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2. NYSE:TU (TELUS)
3. TSX:MRU (Metro Inc.)
4. TSX:T (TELUS)

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