3 Top TSX Stocks Investors May Overlook for Defensive Dividends

Description

The following three stocks have been chosen for the defensive nature of their respective industries: namely, banking, gold mining, and funerary services. These are, without a doubt, three industries that are likely to continue to do steady business during an economic downturn; each stock chosen is representative of its industry and boasts the kind of stats indicative of a solid TFSA or RRSP filler.

Park Lawn (TSX:PLC)

With a steady flow of insider buying over the last 12 months, this is one industry that's guaranteed not to go out of fashion, no matter what the economy does. A one-year past earnings growth of 8.1% lags the five-year average past earnings growth of 20.6%, but hopefully Park Lawn will see business increase in coming years.

With a low debt level of 16.5% of net worth, Park Lawn is good to buy and hold for the long term. It may have a high P/E of 66.2, but its P/B of 1.5 shows that per-asset valuation isn't as poor as some high-growth stocks on the TSX index. A dividend yield of 1.9% makes this a fairly good pick for a TFSA or RRSP, while a 48.3% expected annual growth in earnings should attract growth investors.

Laurentian Bank (TSX:LB)

In terms of its balance sheet, Laurentian Bank holds an appropriate amount of non-loan assets, although it has a low tolerance for bad loans — something that even some members of the Big Six have an issue with.

With a one-year past earnings growth of 11.2% that beats the Canadian banking average of 8.9% for the same period, while just trailing its own five-year average of 14.4%, Laurentian Bank has a good track record, too.

It's one of the best-valued financial stocks on the TSX index, with a market-beating P/E ratio at just 8.6, and a perfect P/B of 0.8. A dividend yield of 5.95% is on offer, and while it's not what you might call a significant leap forwards, a 4.3% expected annual growth in earnings is actually fairly good for Canadian banking.

Wesdome Gold Mines (TSX:WDO)

A charming 98.2% year-on-year return puts Wesdome Gold Mines at the top of the heap of Canadian metals and mining stocks. While valuation could be better, with ratios ranging from a P/E of 49.6 to a somewhat swollen P/B of 3.8, a 46.4% expected annual growth in earnings makes this one to buy for the upside.

With a share price that recently hit an all-time high, Wesdome Gold Mines has a great track record for all to see: a one-year growth in earnings 237.2% handily beats both the industry and a five-year average of 47.3%, which is impressive in its own right. If you want a TSX index gold stock with low volatility, look to a five-year beta relative to the market of 0.37.

The bottom line

Wesdome Gold Mines is looking like a strong capital gains play at the moment, with the potential for decent mid-term upside (go and look at its share price data over the last couple of years to get an idea of its trend). In the meantime, Laurentian Bank and Park Lawn represent two other hardy recession-ready industries, with growth and dividends to boot.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)
2. TSX:PLC (Park Lawn Corporation)
3. TSX:WDO (Wesdome Gold Mines Ltd.)

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vhetherington