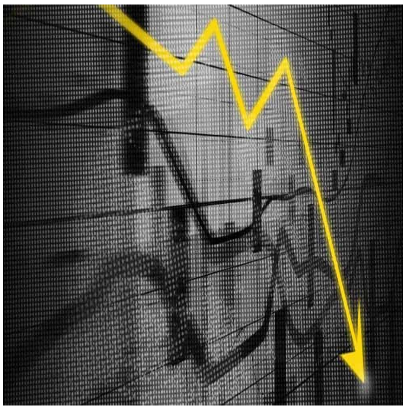

Investor Alert: With a Recession Looming, Here Are 2 Top Defensive Stocks to Buy

Description

With more and more economists talking about the dreaded R-word, — *recession* — along with the weakening housing market and record consumer indebtedness, investors are right to be concerned. But we should not use this as a reason to be scared of investing.

Over the long term, we have seen time and time again that markets rise and remaining invested is the right choice. But we need to adjust the composition of our portfolios at this time.

I have been suggesting that investors look for more defensive stocks for some time now, and at this time, as recession fears may be slowly coming to fruition, it is not too late to make this switch.

Here are two defensive stocks that can help investors continue to make money even in difficult economic times.

Metro (TSX:MRU)

With a $12.4 billion market capitalization and a 1.66% dividend yield, Metro continues to be a story of consistency, stability, and shareholder wealth creation. These days, everything seems to be working for Metro, as earnings growth, dividend growth, and investor sentiment remain positive. Along with its recession-proof business, these factors can reasonably be expected to take Metro stock to new heights in 2019.

Metro stock has increased 129% in the past five years and has rallied 23% from October 2018 lows, as the market has rewarded defensive stocks.

This makes sense, as Metro's business is an economically insensitive one, as the company has continued to post strong results, and as 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, by 10.8% in 2018, and by 11% in 2019 to the current $0.80 per share.

Loblaw Companies (TSX:L)

Loblaw is a similar defensive story, benefiting from the defensiveness of its industry.

Loblaw stock has a five-year return of 74.5% and is trading almost 30% higher than its 2018 lows, all while paying investors a growing annual dividend, which is currently at $1.18 per share for a dividend yield of 1.81%.

Loblaw has successfully used its scale to drive operating efficiencies and value for the consumer, driving a three-year annual EPS growth rate of over 12% and accelerating sales and margin improvements.

Final thoughts

No matter the debt levels or interest rate levels, these stocks will prove resilient due to their businesses' defensive characteristics coupled with strong operating performance.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. TSX:MRU (Metro Inc.)

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karenjennifer