This Defensive Stock Comes Roaring Back: Are We Getting Defensive Yet?

Description

The market has spent 2019 continuing its bull run to yet new highs, throwing in our face any notions we may have had about the economy being vulnerable to a downturn and falling asset prices.

But does this mean that those risks are no longer? Or is this run a blip that investors will look back on as the final hoorah?

With interest rates being maintained at current levels and no rate hike in mind, the market is lulled into a state of satisfaction and calm. And while interest rates are a big mover of markets, making this calm understandable, is the prospect of them rising dead? Or is it just the calm before the storm?

Okay, so that's a lot of questions.

I think the bottom line is that we have many risk factors out there that are keeping rates lower longer. But at the end of the day, rates have been kept artificially low for some time now, and this cannot last forever.

When the day of reckoning happens, defensive stocks will be the stocks of choice where investors will go for shelter.

Here are two leading defensive stocks that are good bets to position your portfolio more defensively.

Loblaw Companies (TSX:L)

Loblaw stock has been soaring to new heights recently, as the company continues to benefit from its scale and leading competitive positioning in the grocery industry.

Loblaw stock has been paying investors a growing annual dividend and implemented a 7% increase in its annual dividend to $1.26. So, the stock's dividend yield is now almost 2%. The company has grown its dividend at a 10-year compound annual growth rate of 4.14%.

So, it’s not a huge yield but a reliable and growing one.

The latest quarter, the first quarter of 2019, showed investors a company that is rapidly increasing its profitability as it continues to roll out its e-commerce strategy and as it sees a competitive environment that may be peaking and settling down; **Wal-Mart** Canada’s supercentre rollout is almost completed.

Maple Leaf Foods (TSX:MFI)

Maple Leaf Foods is another defensive stock that has a solid history of shareholder value creation, with increasing profitability, growing dividends (+175% growth in dividends over the last three years), and share buybacks, all creating shareholder value.

Recent stock price weakness has been caused by disappointing results, with the latest reported results (Q1 2019) continuing this trend.

Maple Leaf is in growth mode, with this leading consumer protein company continuing to innovate with new product offerings and acquisitions, driving strong, consistent growth in its $3 billion revenue base.

But with this comes investment, and the bottom line usually takes a hit when a company is in this growth mode — like what is happening with Maple Leaf Foods.

But this weakness is giving investors the opportunity to get in on this top defensive stock at bargain prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MFI (Maple Leaf Foods Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/17
Date Created

2019/05/03
Author
karenjennifer