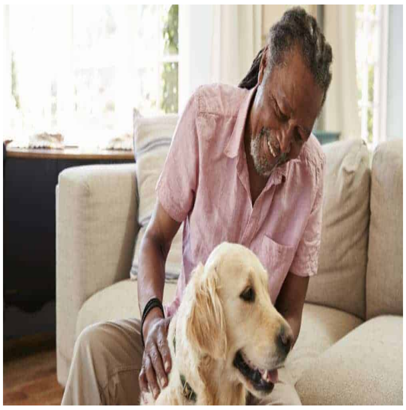

Recession Investors Would Hate to Miss These 2 Consumer Staples Stocks

Description

With uncertainty in the markets leading to losses in tech and industrial sectors, but gains in utilities, could it be the case that investors are gearing up for a hard second half of 2019?

This kind of behaviour denotes a need for defensiveness; logically, other defensive sectors, such as consumer staples, could be in for a boost from **TSX** index stockholders in the coming months. The following two stocks may therefore be wise investments.

Maple Leaf Foods (TSE:MFI)

Consumer staples investors can't go wrong with recession-ready food stocks, and this very Canadian ticker is still one of the best; 10.6% returns over the last year beat the Canadian food industry average for the same period, which was in fact slightly negative.

In terms of a track record, Maple Leaf Foods has seen an overall positive five years, with an average past earnings growth of 59.2%.

Maple Leaf Foods is a potentially lucrative capital gains play, too, selling at around a quarter of its fair value. Indeed, its price-to-book is lower than the industry average of 2.3, making it not just an outperforming stock, but a competitively valued one at that.

Investors looking for a clean bill of health, meanwhile, will be pleased to see that Maple Leaf Foods has reduced its debt over the past five years from 91% to a less risky 35.4%.

Canadian Tire (TSX:CTC.A)

With a $9 billion market cap and a raft of other solid stats, this major multiline retailer is another relatively safe bet in the consumer staples space; indeed, it could even benefit from a market downturn.

With a 0.54 beta relative to the TSX index, Canadian Tire's share price should be fairly well insulated against market-rattling events, while the retailer's range of products would suit households navigating a depressed economy.

To be precise, Canadian Tire's mix of affordable home products, as well as auto, hardware, sports and leisure goods, make it a go-to stock for recession investment; its lines of toys and food products further add to the attraction of this stock for this kind of investment.

Some growth is also expected here, with an 11% annual rise in earnings backing up a tasty dividend yield of 2.98%.

Selling at less than half its future cash flow value, Canadian Tire still has a ways to go before it hits its fair price of around $300. Looking at its market fundamentals, a P/E of 13 times earnings and P/B of 2.2 times book indicate that this attractive stock does indeed have a ways to go, with the potential for long-term upside.

The long-term investor has a couple of red flags be aware of, however. Canadian Tire's five-year average past earnings growth of 4.5% is fairly pedestrian, while an increasing level of debt compared to net worth isn't well covered by cash flows and could pose something of an issue for strictly low risk investors.

The bottom line

For a very patriotic pairing just right for an investor with a strictly domestic focus, Maple Leaf Foods and Canadian Tire seem to go hand in glove; but are they sound bedfellows in a portfolio?

Maple Leaf Foods is a touch overvalued with a slightly negative expected earnings growth in earnings, though its dividend yield of 1.79% makes for a solid buy in the protein producing space.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, 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
3. Stocks for Beginners

Date
2025/08/24
Date Created
2019/05/24
Author
vhetherington