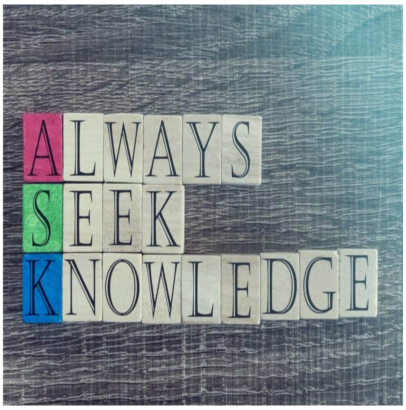

Risk Round-Up: What Happened to Defensive Stocks This Week?

Description

In a remarkable week that saw investors migrate *en masse* out of risky investments, it seems the baby got thrown out with the bathwater. Spooked by the now-tedious China-U.S. trade war and a lack of faith in global economic growth, not only did tech and healthcare see a decline, but three major defensive sectors were down.

Unless you were up at the cottage with no Internet, those sectors were banking, precious metals (we're looking at you, gold), and energy. The week started off badly, with crude prices down, gold down, and some missed second-quarter estimates dragging down financials. For a moment, it looked as though the **TSX** index has no safe havens left to turn to.

With all this volatility in the markets, which stocks can still be held up as truly defensive? Before we answer that question, let's take a brief look at where some of the biggest, and least expected, moves occurred during the week.

Financials and oil stocks suffered this week

Are you bearish on banks? How about on the Canadian domestic housing market? Or how about being bearish on both? If you answered "yes" to any of these questions, you may not want to go out and stack shares in **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) at the moment.

After a disappointing second quarter that missed analysts' estimates (that could largely be blamed on exposure to the housing sector) plus provisions for bad loans, this bank stock isn't looking so good right now. Indeed, having dropped 2.01% over five days, Scotiabank is getting left out in the cold at the moment.

With the exception of **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which saw its share price rise 5.26% over the last five days on a new deal to buy the Canadian operations of **Devon Energy**, the oil sector declined this past week after oil prices wavered. This came after a fairly severe crunch last week brought about by ongoing trade disputes and other market stressors.

Utilities shielded from oil prices are still a buy

A low-beta, super-defensive stock for anyone looking to add some backbone to a passive income portfolio, **Fortis** (TSX:FTS)(NYSE:FTS) finished a tough five days up 0.67%. With industry-beating returns of 22.2% over the last year, Fortis is still one of the best dividend studs on the TSX index, hands down. It's also good value compared to its peers with comfortable market fundamentals.

A sturdy track record and positive outlook in terms of future earnings growth is let down a little by Fortis' balance sheet, which, while serviceable, could be a little healthier. For example, its debt has risen over the last few years, from 127.1% of net worth five years ago to the current 133.7%. While this isn't the highest debt to be found among Canadian stocks, would-be Fortis shareholders may want to weigh the long-term risk here.

The bottom line

While Canadian Natural Resources landed a rare win in an otherwise depressed oil sector this week, that industry is likely to remain volatile for the rest of the year. In fact, the situation is potentially worse than it appears, as analysts tend not to factor in unforeseen events such as natural disasters or a geopolitical curve ball, either of which could seriously impact a very tense global market.

The takeaway? Streamline and stay defensive.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:FTS (Fortis Inc.)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Metals and Mining Stocks
6. Stocks for Beginners

Date
2025/08/27
Date Created
2019/06/01
Author
vhetherington