2 Defensive Stocks That Can Protect Your RRSP

Description

Earlier this month, I'd discussed some troubling trends for the global economy as we head into the final months of 2019. Economists do not expect the global economy to fall into a recession, but investors will need to wrestle with the reality of slower growth and continued trade tensions. Some progress has been made after the limited trade deal between the United States and China and the Brexit deal between Britain and the European Union, but this will not put an end to the ongoing global trade war.

History tells us that recessions often sneak up on prognosticators, so investors should always try to be prepared for the worst as we reach the late stages of this recovery cycle. Those saving up for retirement should approach these choppy conditions with caution. That is why today I want to go over two defensive stocks that can provide some support for your retirement portfolio in the event of a downturn.

Northland Power

Northland Power (TSX:NPI) is an Ontario-based operator of power-producing facilities. The stock has climbed 23% in 2019 as of close on October 17. Utility stocks have been high performers in 2019. Falling bond yields have driven income investors back into equities, and utilities provide an attractive mix of stability and steady dividends.

This company's role as a power producer makes it a solid target. In the second quarter, it saw adjusted EBITDA increase 6% year over year to $194 million and net income rise 10% to $76 million. Northland Power is still projecting adjusted EBITDA to be in the range of $920 million to $1.01 billion and free cash flow per share to be in the range of $1.65 to $1.95.

The stock offers a monthly dividend payout of $0.1 per share. This represents a solid 4.6% yield.

Empire Company

Empire Company (TSX:EMP.A) is one of the top grocery retailers in Canada. Some of its franchise banners include Sobeys, IGA, Foodland, and Farm Boy. Empire was one of my top grocery retailers for investors to scoop up in late 2018. Grocery retail companies play nicely as defensive stocks because they provide consumer staples. Shoppers will always require food and pharmaceuticals, which is where these stocks come into play.

Shares of Empire have climbed 23.4% in 2019 as of close on October 17. The stock has achieved average annual returns of 10% over the past 10 years. In its first-quarter fiscal 2020 report, Empire posted same-store sales growth of 2.4%. Adjusted earnings per share increased to $0.49 compared to $0.37 in the prior year.

Empire stock has climbed into more expensive territory in 2019. At the time of this writing, the stock boasted a price-to-earnings ratio of 24.9 and a price-to-book value of 2.6. The stock last had an RSI of 41, putting it clear of technically oversold levels. Empire last paid out a quarterly dividend of $0.12 per share. This represents a modest 1.3% yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:NPI (Northland Power Inc.)

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Date
2025/07/21
Date Created
2019/10/18
Author
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