2 Defensive Stocks That Will Beef Up Your TFSA

Description

The election win for the Trudeau-led Liberals may provide some stability on the political front, but the Canadian economy is still poised to wrestle with slow growth into the next decade.

Earlier this month I'd discussed recent statements from the World Trade Organization (WTO) that revealed growth in trade in 2019 would be at its lowest level in a decade. Central banks are moving to keep accommodative monetary policy in place to combat economic headwinds, but investors should be prepared for turbulence.

Targeting defensive stocks is a good strategy in late 2019. Today I want to look at two top defensive equities that can provide protection in your TFSA in the fall and beyond. Let's dive in.

MTY Food Group

MTY Food Group (TSX:MTY) is a Canadian restaurant franchisor that operates in the quick service food industry. Shares of MTY Group have dropped 17% over the past three months as of close on October 21.

This presents an interesting buy-low opportunity. But, is there enough value at MTY Group to justify pulling the trigger at current price levels?

Quick service restaurants have posted impressive growth in the back half of this decade relative to casual dining establishments. A recent report from Kenneth Research forecasts that the Global Quick Service Restaurant Market will post a CAGR of 7.61% from 2019 to 2016.

In the first nine months of 2019, revenue at MTY Food Group has climbed to $400 million compared to $295 million at the same time in 2018.

This stock is particularly attractive because the company has posted impressive cash flows. In the year-to-date period in 2019, the company has achieved normalized free cash flows of $77 million over $66 million in 2018.

Quick service restaurants have proven robust during turbulent economic periods, and MTY managed to post EPS growth in the previous recession.

Shares currently possess a solid price-to-earnings ratio of 19.4 and a price-to-book value of 2. MTY stock had an RSI of 20 at the time of this writing, putting it well into technically oversold territory. It's a value add right now.

George Weston

Throughout this year I'd discussed why grocery stocks are a good defensive option. Investors can rely on consumer staples no matter how rough the economic environment is.

George Weston (TSX:WN) is a Toronto-based holding company that is one of North America's largest food processing and distribution groups. Its stock has climbed 22.9% in 2019 as of close on October 21.

In the first six months of 2019, the company has reported sales of $22.7 billion, up 3.6% from the same period in 2018. Adjusted net earnings have climbed 19.6% to $464 million.

George Weston and its subsidiaries are operating in a competitive market, but companies like **Loblaws** have managed to post earnings growth while the broader sector has stabilized.

The company is projecting adjusted EPS growth for the full year on the back of growth in its core operating segments.

The stock offers a quarterly dividend of $0.525 per share, which represents a modest 1.9% yield. George Weston has achieved dividend growth for seven consecutive years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MTY (MTY Food Group)
2. TSX:WN (George Weston Limited)

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