3 Highly Defensive Stocks to Buy Before 2020

Description

When will the next recession strike? No one knows for sure, but most economists are forecasting a major downturn before the close of 2020. Whether you believe the predictions, or you'd like to position your portfolio "just in case," the following three stocks are good choices to help protect your portfolio from the inevitable market drop.

CN Railway

Even as **Canadian National Railway** (TSX:CNR)(NYSE:CNI) is preparing for a challenging first half of 2020, the company expects its full-year adjusted earnings per share to grow in the high single-digit percentage range. The company is anticipating that freight demand in North America will take a hit from a weakening economy. The company cautioned that shipments in crude are expected to decrease in the next two quarters. Still, CEO Jean-Jacques Ruest is optimistic that things will get better in the second half of next year.

CN Railway, Canada's largest railroad operator, maintains a rail network of 20,000 route-miles across Canada and mid-America. The rails are equipped to transport everything from raw materials to finished goods and carry $250 billion worth of goods annually.

In the latest quarterly earnings release from September 30, the company reported net income of $1.2 billion — an increase of 5.4%. Higher freight rates helped the company report better-than-expected profit.

CN Railway also has a decade-long history of nearly 15% dividend growth. The current dividend is 1.83%.

Enbridge

Enbridge maintains a strong balance sheet, operates in a stable business, and pays a hefty dividend. The company delivers 20% of natural gas consumed in the United States and transports approximately

25% of the crude oil in North America through its network of pipelines.

The company recently reported strong second-quarter results with net income of $3.9 billion, up from $1.8 billion the prior year. Enbridge ended the quarter with a cash balance of $767 million.

Enbridge currently pays a dividend of 6.15% and is targeting dividend growth of 10% for the next two years. The company has increased its dividend for the past quarter century and has increased this dividend by more than 100% in the past five years alone.

Loblaw

Consumer staples tend to hold up better in a recession than other sectors. **Loblaw Companies** has a market cap of $26 billion. Not only is Loblaw the largest food retailer in Canada, but it also controls a vast network of operations in pharmacies, banking, and apparel. Through outlets such as Shopper's Drug Mart and Real Canadian Superstore, the company sells its well-known brands, including President's Choice and Life Brand.

During the past decade, investors in Loblaw have received average annual returns of 11%. During the second quarter, Loblaw reported same-store growth in both food retail and drug stores of 0.6% and 4%, respectively. Down from its high of $75.46 in September, the stock is up almost 14% YTD, trading at $69.90 as of this writing. The company will report its third-quarter results on November 13.

The bottom line

Companies in sectors that can weather turbulent market conditions make fine defensive plays in a recession. Don't wait until it's too late to hedge your losses with defensive stocks like CN Railway, Enbridge, and Loblaw.

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Date
2025/08/01
Date Created
2019/11/09
Author
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