Here’s Why You Should Buy These 2 Shockingly Safe TSX Income Stocks

Description

Retail stocks with a strong focus on consumer staples could see some improvement this year if market uncertainty continues to push investors towards recession-proof assets. With a combination of diversification, consumer staples defensiveness, and some wide-moat characteristics, here are two TSX retailers that could prove hardier than most in the event of a widespread market sell-off.

A surprising mix of safety and income

With its 1.78% yield and staunchly defended market share, a dividend investor seeking a single stock that offers access to banking, clothing, and pharmacies — in addition to groceries — may wonder why they haven’t bought shares in **Loblaw Companies** (TSX:L). Adding Loblaw to a mixed dividend portfolio can bring a surprising suite of defensive qualitiesplus growth potential via a 43% payout ratio.

Bringing the fight to **Amazon**, Loblaw’s partnership with Instacart is a fairly recent innovative move that allows Canada’s largest retailer to maneuver in an increasingly digitalized consumer market. The stock also pays a slightly better yield than it did last year, meaning that the strict value investor already has reason enough to check out this stock.

Matching income, value, high-street presence, and online innovation is the prospect for some growth here in coming years. By skewering the market with a combination of healthcare (through ownership of Shoppers Drug Mart), clothing (through the Joe Fresh brand), as well as its core groceries business, a recession may dent but not entirely diminish Loblaw’s consumer base. In terms of safety, the company is defensively varied in its operations.

Meanwhile, the majority of goods on offer in the multiline retail side of **Canadian Tire** (TSX:CTC.A) falls into the consumer discretionary asset type bracket, though the mix is angled towards recession-resistant everyday items. Its 3.14% dividend yield is moderately satisfying and would suit a TFSA or other long-term investment account.

Retail is highly competitive and having to carry a lot of physical assets is undoubtedly an extra element of risk, but these are in-built when it comes to retail. At the end of the day, both Loblaw and Canadian

Tire have toiled hard to make their businesses as resilient to the cyclical nature of consumerism as possible.

The risk-averse, income-focused retiree also has plenty here to make for a pair of buy-and-hold all-rounders. Take Loblaw's innovations in click-and-collect-style shopping, merging the online and real-world elements of the modern retail experience to provide a range of shopping styles to an increasingly specialized consumer base.

Or take Canadian Tire's surprisingly comprehensive mix of real estate, fuel, and multiline homeware and sports retail. By spreading risk at a company level, investors have two ready-made "safe" stocks that bring exposure to an impressive array of must-have consumer sectors.

The bottom line

While Loblaw has the consumer staple edge, Canadian Tire is so diversified that it can also claim a certain degree of defensiveness. Both models show adaptability and responsiveness in a rapidly changing retail landscape. With their mix of income and recession-resistant properties, an investor without prior retail access have a pair of strong buys here.

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