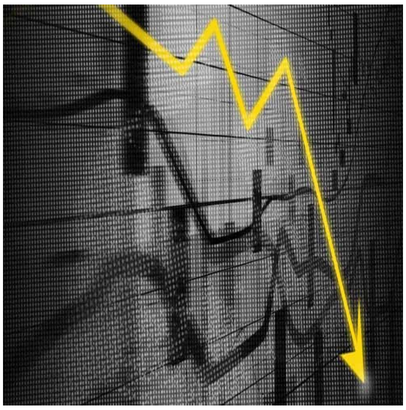

These 2 Defensive Stocks = Market Crash Protection in 2020

Description

Investors seeking capital protection during economic downturns or fear of a market crash are increasing exposure to defensive stocks. Besides the preservation of capital, you will receive stable earnings from regular dividend payments.

Adding **Loblaw** (TSX:L) and **Choice Properties** (TSX:CHP.UN) to your portfolio is the "sleep-well-at-night" formula. The companies tend to perform better than the general market during recessions because both are non-cyclical stocks. There's no high correlation with business cycles.

Largest retailer

Loblaw, Canada's largest food and pharmacy retailer, is the prime example of a defensive stock. It has built a network of corporate and autonomously operated stores in various communities across the country.

Notably, the vast majority (about 90%) of Loblaw stores or pharmacies are within 10 kilometres of the communities it serves. With five independent divisions in close distance, customers can troop to Loblaw to purchase items for everyday needs. As such, operations and sales are all year round.

The advantage Loblaw has is the value spectrum it offers to customers. You can go to a discount or specialty grocery stores and full-service pharmacies. This $25.7 billion retailer extends financial services too.

Loblaw can be a stock to hold for the long term. It has a foothold in the Canadian market, where the company can leverage its existing network to promote and strengthen its strong grocery e-commerce presence.

Perfect tandem

You can form a tandem of defensive stocks by investing in Choice Properties. This $4.57 billion real estate investment trust (REIT) leases out mostly retail and commercial properties to well-established tenants. The rental payments are dependable and stable primarily since the anchor tenant is Loblaw.

The partnership of Choice Properties with the top retailer goes way back. You can say that this REIT is one of the quality real estate stocks because of its long-standing association with Loblaw. Its properties are strategically located and have high visibility and high traffic, which help Loblaw maintain a dominating presence.

However, Choice Properties owns a large and diversified commercial property portfolio. This REIT picks locations with expansion and future development potentials. Currently, there are 726 properties in the portfolio, with retail comprising 79%, followed by industrial properties with 15%. Development, office, and residential properties round up the remaining 16%.

Defensive appeal

The defensive nature of stocks like Loblaw and Choice Properties appeal the most to risk-averse investors. Potential earnings from the shares are attractive as well. Loblaw yields 1.79%, while its REIT partner offers a 5.04% dividend. On equal capital allocation, you would realize an average dividend payout of 3.4%.

In a weakening market condition, expect Loblaw and Choice Properties to hold up. Both cash flows and operations should remain strong amid a turbulent economy. Time and again, investment managers migrate to defensive stocks that are moderately immune to changes in the economic environment.

You can do the same in anticipation of market behaviour that is harder than usual. There are other defensive stocks you can consider in 2020. But in my view, Loblaw and Choice Properties are tops on the list for no other reason. I want to sleep well at night.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHP.UN (Choice Properties Real Estate Investment Trust)
2. TSX:L (Loblaw Companies Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

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