2 Canadian Stocks That Could Survive a Market Crash

Description

As the **S&P/TSX Composite Index** tumbled and crashed for five consecutive days during the final trading week of February amid rising market fears of a deadly coronavirus outbreak that could plunge national economies into recessions during the first half of 2020, some notable defensive **TSX** stocks could be relatively spared by the ongoing market down trend.

Credit rating agency Moody's warned on Thursday that the odds of the coronavirus (COVID-19) turning into a global pandemic have doubled to 40%. A pandemic could throw the global economies off their slow projected growth paths into outright recessions during the first half of this year, which isn't a favourable outlook for lofty stock market values that should naturally "correct" for this kind of new information.

That said, not all TSX listed firms will be affected to the same extent, and some defensive names actually showed some resilience during the week to mid-day Friday. You'd wish you had bought some of them much earlier to preserve capital.

I would like to discuss just two names worth exploring today.

Canada's largest food and drug retailer

Loblaw Companies (TSX:L) stock traded relatively flat during the first four market days, only to shed 2% by mid-day on Friday as the market sell-off entered its fifth day and many other resilient tickers caught some of the flu.

The retail giant released some encouraging data in a previous week's earnings report as its profits for the year 2019 rose — and e-commerce revenues nearly doubled to $1 billion and fourth quarter total sales grew 3% year over year.

The company expects to upscale its share repurchases this year after allocating $1.2 billion to a share buyback program in 2019 that aimed to buy up to 5% of its outstanding shares for cancellation. Such returns of capital are favourable to remaining shareholders as long as profits keep rolling in.

Essentially, people will still need to buy groceries and will keep buying over-the-counter medicines during recessions, and Loblaw has the widest national retail network through 1,400 Shoppers Drug Mart and Pharmaprix locations, 1,050 grocery stores, and nearly 500 Loblaw outlets.

Drug retail same-store sales rose by 3.9% last year, and could continue to grow this year. People rarely delay drug purchases under any circumstances.

The largest operator of Canada's seniors' homes

Chartwell Retirement Residences (TSX:CSH.UN) indirectly owns and operates over 200 high quality retirement communities across four provinces in Canada, and the real estate trust was recently added to the **S&P/TSX Canadian Dividend Aristocrats Index** due to its strong commitment to increasing its monthly distributions to investors every year.

Whether the local economy will actually plunge into a coronavirus-induced recession remains unknown, but the fact that Canada is increasingly experiencing an aging population should keep business flowing to this old age care provider.

Chartwell reported a 7% growth in funds from operations (FFO) for the fourth quarter of 2019. Its FFO for 2019 was up a respectable 3.2%, and same property occupancy rates remain respectable at 90% exit December last year, while same property net operating income increased by 1.4% for the year.

A recently announced sixth consecutive annual distribution increase will see the yield rise to 4.7% per year, and investors could capitalize on the trust's dividend reinvestment program's 3% bonus to compound investment returns — or even use the reliable pay-checks to buy the dips on beaten-down favourite names if the market remains depressed for longer.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:L (Loblaw Companies Limited)

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