1 TSX Dividend Stock to Buy Now and Beat the Market Selloff

Description

The Bank of Canada cut the interest rate by half a percent Wednesday, citing the "material negative shock" of COVID-19. While the move wasn't entirely unexpected, it was larger than predicted. The central bank said in its press release that it expects the situation to worsen:

"Before the outbreak, the global economy was showing signs of stabilizing. However, COVID-19 represents a significant health threat to people in a growing number of countries. In consequence, business activity in some regions has fallen sharply and supply chains have been disrupted."

The **TSX** didn't move much on the news at first, most likely because investors had for a long time assumed that a rate cut was on the way.

And while the cut will provide some fiscal relief, its necessity has underlined the seriousness of the downturn. However, even with the rate cut baked in, the TSX Index nevertheless slid 1.5% by the next day.

How to play the rate cut

A "buy, trim, and hold" strategy is called for, with overvalued names in the cross-hairs and beaten-up quality joining the shopping list.

The pre-virus thesis for swapping black gold for real gold is still strong, while green utilities offer a mix of growth and passive income.

Consumer staples stocks represent another strong play for bear market investors. While **Restaurant Brands** would ordinarily be a straightforward pick for a recession portfolio, the social aspect of its business may be a concern during the COVID-19 outbreak. Throw in some uneven PR and the thesis for holding this stock through a potential pandemic weakens considerably.

Instead, consider choosing stocks with a "social distancing" play built-in, such as **Loblaw Companies** (TSX:L). This top tier Canadian retail stock is well suited to the current situation with its mix of online shopping (ideal for a low-contact society), pharma exposure through Shoppers Drug Mart (apt during a potential pandemic), and grocery exposure. The latter makes Loblaw a top stock for consumer staples investing.

Check that encouraging performance against some of the best stocks in other sectors. **TD Bank** is down 6% for the week, for instance. Similarly, mid-stream giant **Enbridge** ditched 2% on the Canadian interest rate cut.

Even the mighty **Fortis**, ordinarily a top pick for defensive investing, was trading flat this week. As the coronavirus spreads, top gold stocks, healthcare, and consumer staples are the order of the day.

Loblaw would also suit a buy-and-hold retiree feathering a Registered Retirement Savings Plan (RRSP) with top Canadian businesses.

Loblaw is also a strong buy for a Tax-Free Savings Account (TFSA) due to its status as a consumer staples dividend stock. A 1.75% yield will accumulate over time, and with a 42% payout ratio, it’s well covered with room for dividend growth.

The bottom line

While every stock carries risk, if investors can whittle down just how much risk exists in a portfolio, its performance throughout a correction, and even a full-on recession, should remain steady.

Loblaw offers exposure to several key commodities needed throughout a health scare-related downturn, such as food, medical supplies. Up 2.7% this week, it’s a popular play for coronavirus investing.

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Date
2025/08/25
Date Created
2020/03/06
Author
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