Bear Market: 2 Defensive Stocks to Hold Now

Description

The S&P/TSX Composite Index shed another 623 points on Monday, March 23. This represented a 5.25% drop. Investors may want to consider defensive stocks to protect themselves in these volatile conditions.

Markets have responded to news over the weekend that the lockdowns put in place will trigger deep and painful recessions. Canada alone reported roughly 500,000 employment insurance claims just last week. The government has responded with an $82 billion bailout, but experts are warning that much more will be required to meet the needs of struggling citizens.

How long the lockdown in Ontario and other provinces will last is anyone's guess. There are already rumblings from the Trump administration in the United States that it will look to put Americans back to work by the beginning of April. The last days of March and how our healthcare systems respond to the COVID-19 outbreak will likely determine the path in April, and perhaps beyond.

A months-long lock down would be catastrophic for Canadian citizens and the economy. This level of uncertainty means investors need to prepare for a worst-case scenario in the near term. With that in mind, today I want to look at two top defensive stocks. North Americans have raided grocery store shelves in preparation for the worst, although officials have advised against panic buying. Nonetheless, the scramble to store food is unlikely to abate until we return to some level of normalcy.

Empire Company

Grocers are some of the best defensive options right now. Sales have surged at supermarkets during this crisis. **Empire Company** (TSX:EMP.A) is a Canadian conglomerate that owns grocery brands like IGA, Farm Boy, Sobeys, and Freshco. Its shares have dropped 22% over the past month as of close on March 23.

The company delivered solid third-quarter fiscal 2020 results on March 12. Same-store sales, excluding fuel, rose 0.8% year over year, and adjusted earnings per share climbed to $0.46 compared to $0.27 in Q3 FY 2019. In the year-to-date period, sales have climbed by $645 million over the previous fiscal year.

Shares of Empire Company last had a price-to-earnings (P/E) ratio of 12 and a price-to-book (P/B) value of 1.7. This is well below the industry average, making Empire an attractive target right now. It last paid out a quarterly dividend of $0.12 per share, which represents a 1.9% yield.

Maple Leaf Foods

By now, many readers will be familiar with the scramble for toilet paper at retailers. However, there has also been a run on meats. **Maple Leaf Foods** (TSX:MFI) is a consumer packaged meats company. When this year began, I'd discussed why it could benefit from the limited U.S.-China trade deal.

Shares of Maple Leaf have dropped 19% month over month at the time of this writing. Maple Leaf released its fourth-quarter and full-year 2019 results on February 27. Sales rose 12.8% from 2018 to $3.94 billion. The company posted strong growth in its Meat Protein Group and double-digit growth in its promising Plant Protein Group. This latter sub-sector is fast growing in the broader market, which has supported the rise of companies like **Beyond Meat**.

Maple Leaf stock last had a favourable P/B value of 1.3 and was trending towards technically oversold territory. In this most recent quarterly report Maple Leaf increased its quarterly distribution to $0.16 per share. This represents a 3.1% yield.

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2. TSX:MFI (Maple Leaf Foods Inc.)

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