



These 2 Retailers Are Repelling the COVID-19 Assault

Description

When things are worsening and the [economy is heading into a recession](#), consumer defensive companies emerge from the shadows. Two of Canada's top retailers, **Empire** ([TSX:EMP.A](#)) and **Loblaw** ([TSX:L](#)), continue to provide essential services in the face of the COVID-19 outbreak.

The **TSX** is twirling from a double whammy, with the oil price shock as the second major crisis. Notably, the infection curve is rising not only in Canada, but also in other countries. The storm is still building up, and the worst is yet to come.

Strong Empire

Empire shares have been holding steady this March despite the general market carnage. On the last day of the previous week, trading volume was heavy, rising by 136.81% versus Thursday with this grocer stock finishing the week with a 4.58% gain. Year-to-date, Empire is losing by just 4.52%.

Empire is implementing measures in stores to protect customers and staff from COVID-19. The cash registers are protected by Plexiglass shields, while the company limits the number of customers inside. The owner of the Sobeys and Safeway chains is hoping to rush the installation of the shields in every store.

Were it not for the coronavirus, Empire should be riding on strong momentum. In the third quarter fiscal 2020, this retailer reported a 69.7% increase in adjusted net earnings versus last year (\$72.9 to \$123.7 million). While the health crisis and oil price war is stalling Empire's progress, they will not bring down the business.

Laying low

In the stock market, Loblaw is valiantly bucking the downtrend. As of this writing, the stock is trading at \$66.75% per share and is up 0.37% year-to-date. If you're taking a defensive position, Loblaw is one of the [top recession-proof stocks](#).

Apart from an enduring grocery business, Loblaw operates a fantastic pharmacy business in Shoppers Drug Mart. Last year, the drug retail business posted the highest sales growth (6.1%). Even if social distancing measures are in place, grocery stores and pharmacies need to open for business.

Loblaw is the proverbial safety net whenever a recession is looming. Times will be harder with the coronavirus still spreading. This pressure should continue and hamper Loblaw's sales generation potential. Its e-commerce sales have already reached \$1 billion in 2019.

For now, the company will continue refining the food, pharmacy, beauty, and apparel e-commerce businesses while riding out the current crisis. Expect Loblaw's growth to be impressive when the deadly disease comes to pass.

Smart money

The closing of Canada's borders to foreigners is the new normal. The Canada-U.S. border is open only to essential traffic, which is just one of the drastic measures to slow down the spread of the coronavirus. The impact of the two major crises on retailers Empire and Loblaw are not as severe as compared with energy stocks.

Both companies are displaying defensive qualities. Generally, grocery stocks perform well during economic downturns. People buy the basics or needful things from Empire and Loblaw.

In trying times like these, the smart money should be on consumer defensive stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:L (Loblaw Companies Limited)

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