2 Defensive TSX Stocks to Buy

Description

As markets continue to falter under economic pressures, investors must tread lightly. In times like these, defensive **TSX** stocks can help protect against further downside in the market.

For investors with an extremely long investment horizon, going overly defensive isn't usually worth it. They often can get a higher total return over time by simply staying in the market and buying more blue-chip stocks.

However, some investors must ensure that their nest egg is safeguarded for the next short while. For example, someone nearing retirement can't afford to have dead money sitting around for the next few years while the markets are recovering.

In that case, it would be prudent to seek out defensive TSX stocks. These stocks are generally more stable, if unexciting, and will not fall much if at all, and certainly not as far as the markets do.

Today, we'll take a look at two top defensive TSX stocks to consider adding to a portfolio.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a large utility company serving over 2.5 million customers. Beyond its Canadian services, it supplies gas and electrical utilities to customers in the U.S. and even areas in the Caribbean.

Fortis has a spotless track record of gradually increasing its dividend over time, making it one of the premier utility stocks available.

Although it might be considered a boring business, Fortis executes well and gets results. It operates with an extremely healthy profit margin and its low payout ratio helps it maintain its strong dividend.

Plus, even as economic hardships may be ahead, people will always need their utilities. You can therefore expect Fortis to keep providing its essential services to Canadians during these tough times.

Although Fortis is trading up from when I wrote about it here, it's still yielding 3.64% as of writing and should continue to perform well against the market.

Metro

Metro (TSX:MRU) is another top defensive TSX stock. It's one of the largest grocery and pharmacy service businesses in Canada.

It currently runs nearly 1,000 grocery stores under various brands, with a further 650 drugstores across the country as well.

Metro's stock should be about as recession-proof as they come. If a bad recession hits, people will still need their food and medication. Look for Metro to continue providing these core and essential services to customers across Canada.

Compared to Fortis, Metro isn't as strong of a dividend payer. It doesn't have as clean a record, and its yield is currently a somewhat paltry 1.4%. However, that yield still beats what you would get by parking cash in a savings account, and Metro could have further upside in its share price as markets continue to slide.

With good enough margins (for a grocer) and a very manageable payout ratio, Metro looks healthy enough to continue plodding along relatively unscathed.

Defensive TSX stock strategy

Ultimately, going defensive is about preserving cash in the short term.

Now, Fortis and Metro might not offer the best growth prospects over a five or 10 year investment horizon — especially compared to some more traditional blue-chip stocks.

However, they offer reliable and stable dividends and share prices in the near future, which is vital for those investors looking to shield their nest egg right now.

If you're looking to go defensive in the face of a turbulent market, consider these defensive TSX stocks.

CATEGORY

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2. TSX:FTS (Fortis Inc.)
3. TSX:MRU (Metro Inc.)

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