Market Crash: Defensive Stocks for Conservative Investors

Description

What are defensive stocks? In today's market crash environment, they are stocks that have below-average volatility from which investors can better protect their capital and get okay returns. It's all the better if they provide a nice dividend.

Below are some defensive stock examples.

Defensive stocks

Defensive stocks include consumer staples stocks, utilities, and telecoms. Within these sectors, there's a range of defensiveness between industries.

For example, food retailer stocks, which are consumer staples, have shown to be super resilient. They're some of the few essential services that the government allows to be open in these critical times to combat the spread of the coronavirus.

Not surprisingly, **Loblaw** stock trades at its February-high levels today. It did have some flash crashes in the past two months, falling to the $60 level a few times. However, it was bid up promptly.

Loblaw's peer, **Metro** stock, has also shown strong resilience against this market downturn. It remains in the $57 range and refuses to fall below $52 for long.

Saputo stock has simply been dragged down by market forces from being overvalued to a fairer valuation.

All three food stocks are trading at reasonable valuations. Buyers of these defensive stocks today will pretty much get returns that match their future business performance plus dividends they offer, which is not much. They offer dividend yields of about 1.5%-2%.

Defensive stocks: Utilities and telecoms

Utilities and telecoms also offer essential services. Social distancing is limiting people from leaving their homes. Thankfully, utilities and telecoms don't require people to leave their homes to make money.

Selective stocks in these sectors are more defensive than others. Time and again, I'm impressed by **Fortis** stock's resilience in this market crash. The stock trades close to $51 per share at writing, which is a price-to-earnings ratio of roughly 19.7. That's a pretty full valuation to pay for the defensive utility, but the defensive utility offers a yield of about 3.8%.

Other names in the utility space offer greater long-term returns. One of my favourites is **Brookfield Infrastructure**. It's a global infrastructure company that invests in utility, transport, energy, and data infrastructure assets.

BIP has the capability to acquire fitting businesses, improve operations, and develop assets on its own. At writing, Brookfield Infrastructure offers a yield of about 6%.

For investors who want to avoid the limited partnership structure, the corporation version is now available with the ticker symbol "BIPC" on the TSX and NYSE. Its liquidity is still low but should improve over time, as investors learn about and invest in the excellent business.

Telecoms like **BCE** and **TELUS** offer juicier yields than food stocks. Their yields are about 5.3-6% at writing.

The Foolish bottom line

At the end of the day, investors should buy stocks of businesses they're comfortable holding. These stocks should allow them to sleep well at night while getting decent long-term returns. Defensive stocks like Loblaw, Metro, and Fortis have been highly resilient in today's bear market.

You can get bigger passive income from telecom stocks like BCE and TELUS.

Investors who can take on a bit more volatility can consider Brookfield Infrastructure, which I believe will deliver the best long-term returns of the group.

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