Bear Market: 2 Defensive TSX Stocks

Description

Despite a small recovery in stocks this week, we're still largely in a bear market. With uncertainty and volatility still running rampant, expect more turbulence for stocks ahead.

Now, long-term investors looking to buy and hold stocks for 10 or 20 years can look at this bear market as a chance to buy many blue-chip stocks for cheap.

However, those with a shorter investment horizon can't afford to park money in a stock that can take a few years to recover.

Instead, they can seek out defensive stocks that can out-perform a bear market in the near term.

Today, we'll take a look at two defensive stocks that are poised to perform well.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a massive electric utility company based out of St. John's, Newfoundland and Labrador. As of writing, Fortis trades at $55.62 and is yielding 3.43%.

Fortis serves customers in Canada, the U.S., and areas of the Caribbean. Nearly all of its assets and distribution channels are highly regulated.

This means that Fortis' cash flow is incredibly stable and predictable. As such, it should be no surprise that its dividend is one of the safest around.

Since utilities are a highly non-cyclical service, Fortis should have constant demand for its services throughout a bear market. So, Fortis' earnings and profits should remain consistent even through a downturn.

That, along with its attractive dividend that investors can sit back and collect, make it a great defensive stock ready to beat the bear market.

Just by holding Fortis for one year, an investor could make over $340 on dividends from a $10,000 investment, plus whatever gains are made in the share price as Fortis continues its operations.

Dollarama

Dollarama (TSX:DOL) is a Montreal, Quebec-based dollar store chain. It has over 1,000 stores across Canada, with a presence in every province.

As of writing, it's trading at $41.25 and yielding 0.43%. It's important to note that since dollar stores operate with thinner margins, the yield to investors is often minimal.

So, investors won't enjoy the same luxury as with Fortis in terms of a juicy dividend while their money is parked. Still, the yield is higher than what most banks will offer on a savings account, and there should be upside in the share price ahead.

This is because Dollarama is offering essential services, as it sells cheap grocery goods and household essentials. As such, it should see steady demand (and possibly an increase in demand) if the bear market continues and a recession unfolds.

So, it would be fair to expect Dollarama to post solid earnings as we move through tough times and outperform the bear market on a broad scale.

Bear market strategy

While long-term investors might be able to comfortably ride out short-term volatility, investors with a shorter window must tread carefully.

In this low rate environment, however, a savings account isn't going to do anything. So, investors could be better off by picking solid defensive stocks to ride out the bear market with.

Fortis and Dollarama are two top defensive stocks that Canadian investors can hang their hats on. Fortis, especially, offers a combination of an attractive dividend yield and highly consistent earnings.

If you're looking for stocks to beat the bear market with, consider Fortis and Dollarama.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/20
Date Created
2020/04/09
Author
jagseguin