



3 Defensive Stocks to Hold in 2020

Description

The S&P/TSX Composite Index plunged into a bear market in March, which is why I drew my focus to defensive stocks. Markets have rebounded around the globe, but investors should still be wary. Canadian leadership is floating the possibility that COVID-19 lockdowns could stretch into the summer. The country has already experienced millions of job losses and severe damage to sectors like restaurants and airlines.

Because of this uncertainty, I still have my eyes on defensive stocks. Investors should look to stash these equities in their portfolios to guard against near-term volatility that is likely to return, as the economic costs of the lockdowns mount. Today, I want to look at three of my favourite defensive equities to scoop up in April.

Top defensive stock: Loblaw

Grocery retailers have proven to be the ultimate defensive stock in this crisis. **Loblaw** ([TSX:L](#)) is the largest Canadian food retailer. Its stock has climbed 3.6% month over month as of close on April 8. Shares have increased 11.9% so far in 2020. There are few stocks that have offered better protection in this crisis.

Statistics Canada recently revealed that grocery sales in Canada increased 38% year over year in the second week of March. Rice purchase were up a stunning 239% from the prior year. Pasta sales surged 205%. Canned soup, meat, and vegetables were all up more than 150%. Canadian consumers have aggressively stored food in response to this crisis, often against the advice of government officials.

Loblaw stock last possessed a price-to-earnings (P/E) ratio of 25 and a price-to-book (P/B) value of 2.4, which puts it in favourable value territory compared to its industry peers. Loblaw offers a quarterly dividend of \$0.315 per share, representing a modest 1.7% yield.

Trust dollar stores: Dollarama

Dollar stores proved their mettle in the previous financial crisis. This was one of the reasons I'd picked **Dollarama** ([TSX:DOL](#)) as a [recession-proof stock](#) back in 2018. In the 2010s, dollar stores began attracting a broad consumer base. Dollarama and others have evolved into top defensive stocks.

Shares of Dollarama have climbed 2.5% over the past month. The stock is up 7.4% year over year. Management elected to suspend its annual finance report due to the COVID-19 pandemic. It is well-positioned compared to other vulnerable companies, but investors should still expect some negative effects. Dollarama experienced an initial bump in sales in March, but these numbers have "levelled off."

The stock last had a P/E ratio of 23, which is decent value territory relative to its peers. It offers a small quarterly dividend of \$0.044 per share, which represents a 0.4% yield.

The "sin stock": Stars Group

So-called sin stocks are also an enticing target during uncertain economic times. Industries that provide alcohol, gambling, tobacco, and other services have qualified as defensive stocks in previous contractions.

Casinos have been shut down across North America. Fortunately, **Stars Group** ([TSX:TSGI](#))([NASDAQ:TSG](#)) offers gaming through its online platforms. Shares of Stars Group have dropped 7% month over month as of close on April 8. The stock is still up 15% year over year.

One of the chief drawbacks for Stars Group is the cancelling of major sporting events around the world. The [legalization of sports betting](#) in the United States was a promising development for the company. Top sports leagues have pressed pause on their seasons, but there are still indications that they plan to finish them in the late spring and summer.

CEO Rafi Ashkenazi said that Stars Group "remain[s] confident in our ability to continue driving revenue growth in the years ahead, despite the inevitable disruption in the sports industry during 2020." Shares last had a favourable P/B value of 1.3. The sports betting setback hurts in the near term, but looking long I'm still bullish on Stars Group, as it has gained a foothold in the promising American market.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. [TSX:DOL](#) (Dollarama Inc.)
2. [TSX:L](#) (Loblaw Companies Limited)

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1. Business Insider
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