3 TSX Stocks to Deal With Volatile Markets

Description

The current volatility in the top **TSX** stocks has left investors confused as to whether one should look at this as an opportunity or just wait for further downside. The **iShares S&P/TSX 60 Index** has surged almost 25% since its recent lows last month. However, it is still more than 20% lower against its 52-week high.

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Defensive stocks such as consumer non-cyclical that pay consistent dividends would be more prudent in the current market scenario. Let's take a look at three TSX stocks.

Top TSX Stocks: George Weston

George Weston (TSX:WN) is a $16 billion diversified holding company that operates in food processing, real estate, retail, and financial services. It operates through three segments: **Loblaw**, which contributes more than 90% to its total revenues, Weston Foods, and **Choice Properties**—a real estate investment trust.

George Weston stock exhibited a comparatively faster recovery in the last few weeks. It has surged 22% from its recent lows amid the pandemic-driven market crash. However, it is still trading 8% lower as compared to its 52-week high of $114.

George Weston's large exposure to Loblaw makes it an attractive investment proposition for long term investors. The virus outbreak will likely have a minimal impact on its earnings which ultimately makes its dividends reasonably safe. It offers a yield of 2% at the moment, lower than the average TSX stock.

George Weston stock is currently trading at a price-to-earnings valuation of 14 times, which implies a discount to its historical average.

Canadian Tire

Canadian Tire (TSX:CTC.A) is a retail company that sells hardware, leisure, automotive, and sports products. The stock has lost more than 40% in the market crash in the last few months.

The brutal selloff in the top TSX stock Canadian Tire is evident as the pandemic and lockdowns will severely hamper consumer discretionary spending. Its revenues and earnings might continue to take a hit in the next few quarters, which will likely weigh on its stock as well.

However, what's striking here is its valuation and dividends. It's trading at seven times forward earnings, a large discount against its five-year historical average of close to 14 times forward earnings.

Canadian Tire offers a dividend yield of 5%, which is higher than the TSX stocks at large. Also, its payout ratio is close to 35%, which indicates that the dividend cut is unlikely.

The payout ratio is the portion of the company's profit shared with shareholders in the form of dividends. Its lower payout ratio implies that even if the company takes a notable dent on its bottom line, it will likely be sufficient to fund its dividends.

Magna International

Magna International (TSX:MG)(NYSE:MGA) is a $15 billion mobility technology company. While the cyclical nature of its business might not account as a defensive stock, its dividends and valuation make it an attractive bet at the moment.

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Magna stock has fallen more than 25% since mid-February amid the broad market weakness. However, it's still trading 50% lower to its 52-week high of $76.

MG is trading at a dividend yield of 4.5% at the moment. Along with yield, its strong dividend growth sets it apart from peers. Magna managed to increase its dividends by more than 15% compounded annually in the last five years.

As earlier stated, its payout ratio comes around 25%, which makes its dividends safe even if earnings take a beating in the next few quarters.

Lower than expected earnings driven by the pandemic have already priced in these TSX stocks. Thus, stocks could witness a steep surge if economic recovery starts in the second half of the year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:MG (Magna International Inc.)
4. TSX:WN (George Weston Limited)

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