Defensive TSX Stocks: 3 to Watch

Description

While markets have seen a small rally in recent sessions, there is still plenty of volatility. Under these conditions, defensive **TSX** stocks tend to be able to outperform the market.

For many long-term investors, short-term risk isn't a huge concern. As such, they're often better off just sticking to their long-term plan and continuing to invest in cheap blue-chip stocks.

However, sometimes adjustments must be made. This is especially true for investors nearing retirement, as they can't afford to sink cash into an investment that might take years to turn a profit.

Today, we'll cover three of the top defensive TSX stocks for investors to keep an eye on as markets bounce around.

Metro

Metro (TSX:MRU) is a major player in the grocery and pharmaceutical space in Canada. It has nearly 1,000 grocery stores under its operation, with a further 650 standalone drug stores across the country as well.

As a premier consumer staple stock, Metro is one of the few stocks that is trading higher now than it was back in February. In fact, Metro stock is up over 11% year to date. As it provides essential goods and services to its customers, expect Metro is to continue posting consistent earnings.

One of the main knocks against Metro is its lack of a solid dividend. However, its yield is respectable enough and the upside in share price during turbulent times should be enough to highlight Metro's value to investors.

Loblaw

Loblaw (TSX:L) is another Canadian grocery and pharmaceutical player and is even larger than Metro.

This defensive TSX stock is also up rather than down year to date, and shows promising signs that it can continue its momentum.

As the biggest player in the Canadian grocery space, Loblaw is poised to outperform more cyclical or speculative stocks during market volatility.

While Loblaw's dividend is slightly higher than Metro's, it's still only 1.74%. However, you get a bit more stability and reliability with Loblaw as well.

Dollarama

Dollarama (TSX:DOL) is the largest dollar store retailer in Canada. It serves customers in every province across the country and operates over 1,000 locations.

Dollarama provides cheap grocery and household items to customers. During a recession, the demand for cheap non-perishable and canned goods could see an increase, leading to consistent and potentially growing business for Dollarama.

As of now, this defensive TSX stock is slightly down year to date, but not more than the broader markets. This makes sense, as it isn't a full capacity, first-rate grocer by any means. However, if the economy worsens down the road, I'd expect Dollarama to start out-performing the market by noticeable margins.

In terms of dividends, Dollarama doesn't offer much at all to its investors. So, this might be a big enough knock to discourage investors from Dollarama and instead lead them to other defensive TSX stocks like Metro and Loblaw.

Defensive TSX stock strategy

For some investors, moving a portion of their portfolio to defensive TSX stocks could be the right play. These are investors who are looking to stay relatively liquid and don't want to lock funds into stocks that could take years to recover.

Luckily, there are some solid defensive TSX stocks on the market. The three discussed today all offer different advantages to investors. The majority of investors will feel most comfortable with Loblaw, but they're all worth considering.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

2. TSX:L (Loblaw Companies Limited)
3. TSX:MRU (Metro Inc.)

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