2 Defensive TSX Stocks to Protect a Portfolio

Description

With so much volatility in the markets, investors are looking to protect their investments. Choosing reliable defensive TSX stocks is one of the best ways to do so.

These stocks are generally in non-cyclical sectors and provide everyday essential services. Grocery stores and utility companies are good examples of these sort of stocks.

The idea is that their revenues aren't heavily impacted by a slowing economy, and as such retain value for investors. Over a short period of time in a tough market, these stocks tend to outperform the market.

Now, over a long horizon, these types of stocks generally won't post high total returns. But, for an investor looking to protect their portfolio in the short run, they're the best bet.

Today, we'll look at two defensive TSX stocks that can continue to perform even with a potential recession on the way.

Dollarama

Dollarama (TSX:DOL) is Canada's largest dollar store retailer. It now operates over 1,000 locations across Canada and has operations in every province.

As far as defensive TSX stocks go, Dollarama is up there with the best. As a dollar store retailer, it will continue providing for Canadians.

In fact, the chain might even see an increase in demand given a recession, as Canadians might need to pinch pennies on household supplies and canned goods.

Dollarama could easily become a strong alternative for Canadians with smaller shopping lists during these times.

As of writing, Dollarama is trading at $43.63, which means the stock is already back to its mid-February levels. Not many stocks have accomplished the same.

This rebound speaks to the resilience that Dollarama has as a defensive TSX stock.

One caveat with this stock is the paltry dividend yield. At 0.40%, you wouldn't want to count on any kind of income coming from Dollarama.

Loblaw

Loblaw (TSX:L) is Canada's largest grocery and pharmacy retailer. It operates many grocery stores under various banners and also owns Shoppers Drug Mart.

Similar to Dollarama, Loblaw isn't going anywhere anytime soon. It sells essential things like food and drugs that Canadians will need no matter how rough the economy.

As the market leader, Loblaw is well-positioned to continue to post strong earnings. At the end of the day, people still need to put food on the table.

As of writing, this defensive TSX stock is trading at $68.88. As with Dollarama, Loblaw is back near its mid-February levels.

Once again, there's clearly sentiment from investors that this type of stock will be rock-solid going forward.

Loblaw has a bit more to offer in the way of a yield. Currently, its dividend stands at 1.83%.

This figure isn't huge by any means, but it beats a savings account comfortably and Loblaw can have more upside in share price as well.

Defensive TSX stock strategy

If you're looking to protect a portfolio in the short term, try going defensive. Dollarama and Loblaw are two top picks for weathering a turbulent market and economy.

Both will continue to bring in business as they provide essential goods and services. For those seeking a bit more stability and a juicier yield, Loblaw is likely the best bet.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

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

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Date
2025/08/24
Date Created
2020/04/30
Author
jagseguin