Canadian Stocks to Buy With Wide Moats

Description

Investing in companies with wide moats is one of the best ways to build a portfolio of high-quality companies. In times of significant volatility, finding Canadian stocks to buy with a strong competitive advantage can protect against considerable downside.

If you take a quick glance at the list, you will find some of the best blue-chip companies in the country. Outside of those in the financial sector, most have outperformed the S&P/TSX Index during this pandemic. The odds are that they will continue to outperform in the event the country sees a second wave and more economic hardship.

With that in mind, I consider them the top Canadian stocks to buy to protect your portfolio against considerable losses.

A top utility

Despite poor earnings, pulled guidance, and increasing uncertainty, the markets are showing strength. Over the past month, the S&P/TSX Index is up by 5.05%. In contrast, utilities are showing weakness. Case in point, **Fortis** (TSX:FTS)(NYSE:FTS) is now down by approximately 3% over the same period.

Despite the recent underperformance, Fortis is holding up quite well during this pandemic. The stock price is only down 3.66% year to date, far outperforming the 11.66% loss of the Index.

The company remains one of the best defensive stocks on the TSX and is a top Canadian stock to buy. This has proven to be true regardless of economic condition. We are in an era of low interest rates, which is a positive for utilities. It means lowering borrowing costs and higher profitability.

Fortis has consistently outperformed the TSX. Over the past decade, it has more than tripled the returns of the index. The company also has an attractive yield (3.71%) and the second-longest dividend-growth streak in the country (46 years). It expects to grow the dividend by 6% annually through 2024.

Analysts have a one-year price target of $59.45, which implies 14.5% upside from today's price of $51.91 per share. It is trading at only 13.82 times earnings, well below historical and industry averages.

Fortis is a top Canadian stock to buy. It provides reliable income and steady growth at reasonable valuations.

A top-performing Canadian stock to buy

When it comes to recent and yearly performance, one of the top companies has been **Canadian Pacific Railway** (TSX:CP)(NYSE:CP). As one of the two largest railways in Canada, it is easy to quantify and understand CP Rail's considerable moat.

Year to date, the company's stock price is up by 3.98%, and it has a one-year return of 14.95%. Over the past decade, shareholders have seen their investment handily beat the market, with total gains of 507%.

Despite a slowdown in economic activity, analysts still expect the company to post positive earnings growth in 2020. Looking beyond this year, the expectation is for earnings growth in the low teens. This makes it one of the fastest-growing blue-chip companies on the TSX Index.

As of writing, the company is trading in line with the estimating one-year target of $345 per share. It is also trading in line with its historical valuations. However, the company rarely trades at a big discount. This makes CP Rail a rare Canadian stock to buy at any point in time.

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2. NYSE:FTS (Fortis Inc.)
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