Got $4000? Escape Volatility With These Safe TSX Stocks

Description

The equity markets have been highly volatile in the recent past and could continue to remain so in 2020. The uncertainty surrounding the economy further makes it tough to ascertain which way the markets could go in the coming quarters.

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Amid such a scenario, if you want to invest your $4000 in shares, I would suggest buying defensive **TSX** stocks like **Metro** (TSX:MRU) and **Loblaw** (TSX:L).

Both Metro and Loblaw operate a recession-proof business, and their stocks aren't susceptible to the volatility in the market. Further, being defensive doesn't indicate that these stocks only offer safety. Investors should note that both these TSX stocks have been outperforming the benchmark index over the last several years.

Shares of Metro and Loblaw have increased by about 63% and 32%, respectively, over the past five years. In comparison, the benchmark index grew by a paltry 7.5% during the same period.

Further, both the grocers are Dividend Aristocrats, implying that they have bolstered investors' returns through consistent dividend growth over the past several years.

Metro

Metro operates more than 600 food and over 650 pharmacy stores in Canada. The company's offerings continue to witness steady demand irrespective of the economic situation and fall under the purview of essential services.

While the COVID-19 pandemic erased demand for most of the businesses across several sectors, grocers like Metro have witnessed a surge in demand as customers rushed to stock up their pantries.

For instance, its revenues increased by 7.8% in the most recent quarter. Even without the pandemic-led demand, its food and pharmacy comparable sales increased by 5.2% and 6.4%, respectively,which is commendable.

While the pandemic-led pull-forward volumes could affect its near-term performance, Metro's long-term growth story remains intact. Metro continues to invest in growth opportunities, including the expansion of its stores base and online grocery shopping services. Further, supply-chain reinvestments and focus on cost-saving measures bode well for future growth.

As Metro's business remains stable, liquidity is not a concern. The company generates strong cash flows, which supports its payouts. Investors should note that Metro has increased its dividends for 26 years in a row. In April, Metro raised its quarterly dividend by 12.5%, which was higher than last year's 11.0% dividend hike.

Metro stock has a very low beta of 0.15, which indicates that the high volatility in the market will not impact this TSX stock much, making it a perfect investment option amid volatility.

Loblaw

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Loblaw is the largest Canadian food retailer that boasts an extensive retail footprint with a market share of over 34%. Like Metro, Loblaw also benefits from operating food and drug stores. Also, its stock performed exceptionally well during the coronavirus-led selloff.

Loblaw's multi-category stores make it a preferred shopping destination for both masses and classes. Moreover, its e-commerce expansion further supports growth. Loblaw's operating metrics remained strong during the last reported quarter, indicating continued strength in its base business. Its same-store sales continue to benefit from higher traffic and ticket size.

Meanwhile, Loblaw benefited from the increased penetration of its online business. The company's click-and-collect and home-delivery offerings are resonating well with the customers and could accelerate its e-commerce sales growth rate.

Loblaw is also a low beta stock and is among the safest bet on the TSX.

Bottom line

The defensive nature of Metro and Loblaw make these TSX stocks attractive investment options amid volatility for capital preservation. Meanwhile, consistent dividend growth should attract investors seeking a steady and safe dividend income.

CATEGORY

1. Coronavirus
2. Dividend Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
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