2 Defensive TSX Stocks to Buy Before it’s Too Late

Description

As we have seen for the last three months, having defensive **TSX** stocks in your portfolio is crucial for managing these periods of higher volatility. Defensive stocks, however, also help the portfolio to continue to earn and grow through recessions, mostly by dividend income.

When the market first crashed back in March, initially every TSX stock sold off. However, the high-quality and more defensive businesses were considerably less volatile than higher-risk growth stocks.

Soon after, it was these defensive stocks and other high-quality, reliable blue-chips that led the way up. Also, stocks that had seen a positive impact from COVID-19 were among the outperformers.

These stocks rallying all made sense, as it was clear nobody was positioned for a global pandemic. Now that we know what businesses will be impacted and which stocks will perform the best, it’s natural to want to go out and buy the most defensive businesses.

The problem is, the stock market has rallied so fast to pre COVID-19 levels that it’s now extending to value stocks. This makes some sense, as there is a lot of momentum. However, investors aren’t going to bid all stocks up to new 52-week highs.

And, as we’ve started to see this week, investors are only now realizing how devastating a second wave of coronavirus could be to the global economy.

Here are the defensive TSX stocks I’d buy today to ensure I’m ready for whatever comes next.

Consumer defensive TSX stock

The first stock to consider buying to shore up your portfolio is **Metro** (TSX:MRU). Metro is one of the top consumer defensive stocks on the TSX.

The stock is up slightly year to date, highlighting how safe and reliable investors think its business is. Even Thursday, as the TSX declined by over 4.1%, Metro held strong, declining just 0.7%.

However, despite its strong performance this year and resiliency to volatility, the stock has come down roughly 10% from its high in April.

This has created a major opportunity for investors who need more defensive exposure. Grocery stores like Metro are some of the best businesses to own in a recession. This is because consumers are likely to spend their money at grocery stores first.

Food and other household essentials are required by everyone regardless of income levels. So, if you think we may be about to enter a prolonged recession, Metro could be one of the top stocks to own.

TSX gold stock

Gold stocks are also a great choice, and one of the best to own is **Barrick Gold** (TSX:ABX)(NYSE:GOLD).

Gold stocks are a little different than other defensive stocks. Although they offer investors a safe-haven asset, the stocks perform differently than other defensive equities.

Year to date, Barrick has been one of the best performers, up roughly 30%. However, similar to Metro, the stock has been sold off significantly over the last month.

Barrick is now trading down nearly 20% from its 52-week high, which it set in April. This pullback is a great opportunity for investors to gain some exposure before the stock takes off again.

Unlike other defensive stocks, the sky is the limit for gold stocks. The environment is very accommodating for these stocks, as long as the price of gold continues to increase. And with so much monetary stimulus and major economic uncertainty around the world, many experts and economists see gold prices rising substantially in the near term.

It’s this environment that is setting TSX gold stocks up for a huge year, whether we see another crash or a continuation of the market rally, Barrick Gold will be a top performer this year.

Bottom line

The level of uncertainty in markets continues to remain high. So, it’s crucial that any TSX stock you buy can be counted on through a market crash and recession.

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