Defensive Investing: 2 Top Stocks to Buy

Description

As the stock market continues to display volatility, investors are looking to protect their portfolios. For those focused on defensive investing, there are some attractive options on the TSX.

In particular, there are stocks that specialize in consumer staple goods that look like safe havens. In general, the demand for consumer staple goods doesn't fluctuate, even during tough economic times, and as such, these stocks can perform well.

Now, defensive investing isn't always the most prudent move for all investors. Typically, over a long investment horizon, dividend-paying, blue-chip stocks will vastly outperform more defensively oriented stocks.

However, investors with shorter horizons might favour defensive investing. This type of investing will help preserve a portfolio, with modest growth but limited risk as well.

Today, we'll look at two top TSX stocks that can help protect a portfolio.

Dollarama

Dollarama (TSX:DOL) is the largest dollar store retailer in Canada. It has locations in all of the provinces, totalling over 1,000 locations nationwide.

Now, Dollarama isn't strictly a retailer of consumer staple goods. However, it does offer a large selection of household necessities along with packaged and canned goods. So, this makes it an attractive pick for defensive investing.

While Dollarama in general is a dependable provider of goods for Canadians, it may see even more business if the economy continues to sputter. As Canadians are tasked with pinching pennies, Dollarama will be called upon to continue providing necessary products at affordable prices.

At the time of writing, Dollarama is trading at $47.31. Recently, the company announced a 2% increase in quarterly sales.

This shows the market's confidence in Dollarama to continue to perform well, as the stock hasn't really been this high since January.

One caveat with defensive investing using Dollarama stock is that the dividend is next to nothing. As of writing, the stock is yielding 0.37%.

So, while you might see the stock outperform the market in the near term, it offers very little in the way of passive income. This is a problem for some people focused on defensive investing as consistent dividend income is a big piece of the puzzle.

Metro

Metro (TSX:MRU) is a large Canadian grocer that operates in Ontario and Quebec. Since it provides many essential goods to Canadians, it's well insulated against negative economic pressures. As such, it's a prime candidate for defensive investing.

In fact, in its most recent report, Metro announced quarterly sales jumped a whopping 7.8%. Clearly, Metro is continuing to do solid business, even as the economy remains sluggish.

Plus, while Dollarama has a near-zero dividend yield, Metro is a Dividend Aristocrat. This means it has a great track record for maintaining and growing its dividend — even during tough times.

So, Metro can have upside in its share price if it continues to post solid sales numbers while also providing investors with a reliable dividend. At the time of writing, Metro is yielding 1.57%.

For those focused on defensive investing, Metro has a lot of attractive qualities that can protect a portfolio.

Defensive investing strategy

For investors focused on preserving their portfolios in the short run, defensive investing is the way to go. Dollarama and Metro are both great defensive stocks, but Metro has a clear edge with respect to the dividends on offer.

If you're looking at defensive investing options, keep these top stocks high on the shopping list.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:MRU (Metro Inc.)

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