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Why it's Time to Get Defensive With These TSX Stocks

Description

Weak economic conditions, a higher unemployment rate, and rising coronavirus cases strongly suggest that the stock market could crash again. Even if the stock market doesn't go down, investors could witness high volatility for the rest of 2020.

Investors should get defensive with these TSX stocks and protect their portfolio against large market swings.

Metro

Metro (TSX:MRU) is Canada's leading food and drug retailer. The company's defensive business makes it immune to the volatility in the stock market, while its business remains relatively unaffected amid economic downturns.

Metro stock remained mostly unaffected during the recent stock market crash in March, which indicates the strength and stability of its business. In the most recent quarter, Metro's top line increased by 7.8%, reflecting growth of 9.7% and 7.9% in food and pharmacy same-store sales, respectively. The retailer is also focusing on accelerating its online grocery services, which should further support same-store sales growth in its food division.

Investors should note that Metro has a negative beta (five-year monthly), implying rising volatility and uncertainty can barely have an impact on its stock. Its low forward yield of 1.6% might fail to attract investors, but the retailer is a Dividend Aristocrat and generates enough cash flows to continue to increase its payouts in the future.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) operates a rate-regulated utility business, which is pretty stable and generates predictable cash flows. About 99% of Fortis's earnings come from regulated utility assets. Moreover, about 82% of its top line is protected through residential sales or regulatory mechanisms.

The company's utility rate base is expected to increase at a mid- to high-single-digit rate over the next five years, which implies that its dividends will continue to grow in the coming years. Investors should note that despite the economic distress, Fortis should do relatively well in the future on the back of rate base growth. Meanwhile, management expects its dividends to increase annually by 6%.

Fortis stock has a very low beta (five-year monthly) of 0.1, implying that the stock market volatility will not have much of an impact on it. The company is a Dividend Aristocrat and has increased its dividends for 46 straight years. Fortis stock currently offers a forward yield of 3.7%, which is safe.

Brookfield Renewable Partners

Brookfield Renewable Partners (TSX:BEP.UN)(NYSE:BEP) runs a recession-resistant business, which is likely to mark strong growth in the coming years. The company is a pure-play renewable energy producer and generates predictable cash flows that continue to increase.

The company's revenues and cash flows are safeguarded against downturns through its long-term power-purchase agreements. Further, these agreements are indexed against inflation, which enables it to capture higher pricing.

Over the past 20 years, the renewable power company has raised its dividends at an annual rate of 6%. Meanwhile, it is targeting future growth of 5-9% in its dividends.

Brookfield Renewable Partners's diversified asset portfolio, increase in production capacity, and growing cash flows should support its stock amid economic downturns. Besides, its stock has a low beta (five-year monthly) of 0.7 and offers an attractive forward yield of 4.7%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
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