Market Crash: 3 Dividend Stocks That Can Protect Your Portfolio

Description

The **S&P/TSX Composite Index** shed 20 points on July 21. Canada managed to create nearly one million jobs in June, but many citizens are still very worried about the state of the economy. Moreover, millions remain dependent upon COVID-19 social relief programs like CERB. Meanwhile, the TSX Index has managed to reel of impressive gains since a sharp decline in the early spring. The poor economic environment and high valuations has many investors worried about a potential market crash.

As always, it never hurts to be prepared for the worst. Today, I want to look at three dividend stocks that can provide great defence for your portfolio going forward. Let's jump in.

Market crash: Dollarama is a proven defensive stock

Just over two years ago, I'd discussed why **Dollarama** (TSX:DOL) was the perfect recession-proof stock. Canada's top dollar store retailer managed to be one of the bright spots following the 2007-2008 financial crisis. Dollar store retailers thrived across North America after the recession, diversifying their customer base and expanding at an impressive rate.

Shares of Dollarama have climbed 8.1% in 2020 as of close on July 21. The company released its first-quarter 2020 results on June 10. It posted sales growth of 2%, as nearly 1,200 stores remained open across Canada for its client base. Many Canadians are feeling the financial pinch during this crisis, which has also provided a boost for Dollarama.

Dollarama stock last had a price-to-earnings (P/E) ratio of 27. This puts it in solid value territory relative to industry peers right now. Recent history has shown that Dollarama is a reliable stock to own in the event of a market crash.

One utility on its way to becoming a dividend king

Utilities have continued operations as essential services during the COVID-19 pandemic. **Fortis** (TSX:FTS)(NYSE:FTS) is one of the best stocks to own in this space. Shares of Fortis have increased

1.2% in 2020. The stock is up 7.6% year over year. Utilities have been great alternatives for income investors following the Great Recession. Fortis is a top defensive stock to hold in the event of a market crash.

In Q1 2020, Fortis reported that its $18.8 billion five-year capital plan and dividend-growth guidance would remain unchanged. This was great news for Fortis shareholders. Its aggressive capital plan is designed to dramatically expand its rate base over the projected period. This, in turn, will support annual dividend growth of 6% through 2024. If reached, this would mean Fortis had achieved at least 50 consecutive years of dividend growth by the middle of this decade.

Fortis stock last had a favourable P/E ratio of 14 and a price-to-book value of 1.3. This future dividend king is a fantastic near-term and long-term target. It last paid out a quarterly dividend of $0.4775 per share, representing a 3.5% yield.

Market crash: You can depend on grocery retailers forever

When the first market crash rattled investors in the late winter and early spring, grocery retailers were one of the few stocks to avoid catastrophe. **Loblaw** stock has climbed 3.1% in 2020 as of close on July 21. Consumers staples like those in the food sector are always reliable and worth holding during market volatility. There is no bigger player in this space than Loblaw in Canada.

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1. Coronavirus
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2. TSX:DOL (Dollarama Inc.)
3. TSX:FTS (Fortis Inc.)

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