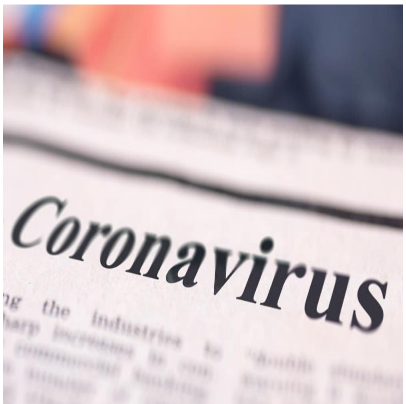

COVID 2nd Wave: 2 Safety Stocks to Protect Your Wealth

Description

The second wave of COVID-19 cases has already caused many parts of Canada to consider reopening rollbacks. Industries that have been hardest hit by the pandemic could stand to implode once again, and there's no telling how much damage that COVID-hit stocks will stand to take in another round in the ring with Mr. Market.

While a second or third wave could easily send the world economy back into the gutter, I'd still encourage investors to consider a barbell portfolio that balances the risks brought forth by the pandemic.

A safe and effective vaccine could be ready earlier than expected, and you'll want to own stocks of firms that could have the most room to run in a correction to the upside. At the same time, you'll want to make sure your portfolio isn't in a position to take on amplified damage if this pandemic were to drag on through 2022.

As unlikely as it is to go past 2022 without a vaccine that's been administered to the masses, investors should still be prepared for such a bear-case scenario with safety stocks that will hold their own. Consider shares of **KP Tissue** (TSX:KPT) and **Empire Company** (TSX:EMP.A), two recession- and pandemic-resilient stocks that can help you beef-up the "risk-off" portion of your barbell portfolio.

Now, neither stock is going to make you wealthy like some of the hot cloud stocks that have been riding high on pandemic tailwinds. However, each name will allow you to make money through a worsening pandemic, with less downside risk than market indices.

KP Tissue

With another wave sweeping across the nation, people could be sweeping the shelves of toilet paper once again. While any increase in demand for such tissue products is merely a pull-forward in demand, I think the greater near-term boost to cash flows will help KP Tissue stock, as panicked investors look for more secure dividends amid a worsening crisis.

In a prior piece, I'd urged investors to lock in KPT stock's dividend yield while it was at 7%. After a nice rally, KPT shares sport a less bountiful but still attractive 5.3%-yielding dividend. KP Tissue is no longer a timely stock, but if you've yet to take COVID risks off the table, shares are still a compelling option here, even after staging a 60% bounce off its lows.

The company is slated to pull the curtain on its third-quarter results on November 5 before the open. Given many folks are likely still going through their toilet paper stashes built up in the second quarter, I think KPT shares could be due for a post-earnings pullback. So, unless you lack in pandemic-resilient plays, I'd wait until after the quarter before backing up the truck.

Empire

Empire is a Canadian grocer that's been faring well amid the pandemic. Shares are at a fresh all-time high thanks to a modest rotation into defensive names in preparation for the second wave of COVID cases. As an essential retailer, Empire could be in for a big boost to its top-line numbers as non-essential retailers look to close their doors once again.

The theme of larger baskets and fewer visits should be expected over the coming months, as Canadians look to hunker down again. Although pandemic-related expenses such as PPE (personal protective equipment) will weigh on earnings, margin expansion opportunities, and a huge sales boost, I believe, could more than offset any additional expenditures for coming quarters.

At the time of writing, Empire stock trades at 16.5 times trailing earnings, 0.4 times sales, and 2.6 times book value, making the name a low-cost way to prepare your defences for what could be a rough ending to a brutal year.

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