Market Crash? 3 Dividend Stocks That Can Protect You

Description

The **S&P/TSX Composite Index** rose 45 points on October 15. Canadian stocks encountered turbulence in September but have managed to bounce back and stabilize in October. Still, investors should be aware of the risks of a market crash. In late August, I discussed the Buffett indicator. This indicator takes the market capitalization in a national market and compares it to gross domestic product. The Buffett indicator shows that North American markets are overpriced right now.

Today I want to look at three dividend stocks that can protect your portfolio in a market crash. Let's dive in.

Why utility dividend stocks are perfect in a market crash

Emera (TSX:EMA) is a Nova Scotia-based utility. Its shares have climbed 3.6% in 2020 as of close on October 15. Utility stocks have proven to be reliable in the face of a global pandemic. Emera and its peers are still a great hold, especially if a second market crash arrives. They belong to the handful of essential services that will always run no matter how the pandemic progresses.

In Q2 2020, Emera reported net income of $581 million or $2.37 per share in the year-to-date period, up from $415 million or $1.75 per share in the first six months of 2019. Moreover, operating cash flow rose $41 million year-over-year to $816 million.

Shares of Emera last had a favourable price-to-earnings ratio of 16 and a price-to-book value of 1.6. It offers a quarterly dividend of $0.637 per share. That represents a solid 4.5% yield.

Grocery retailers thrived in a very difficult year

Speaking of essential services, it is hard to find one more important than food supply. Grocery retailers have thrived in 2020. **Loblaws** (TSX:L) is the largest food retailer in Canada. This sector offers some of the most reliable defensive dividend stocks on the TSX in the event of a market crash.

Loblaws released its second quarter 2020 results on July 23. Revenue rose 7.4% from the prior year to $11.9 billion. It posted food retail same-store sales growth of 10% while drug retail same-store sales fell 1.1%.

Shares of Loblaws currently possesses a P/E ratio of 25 and a P/B value of 2.2, putting Loblaws in solid value territory in comparison to its industry peers. It last announced a quarterly dividend of $0.315 per share, which represents a modest 1.8% yield. This is a solid defensive dividend stock to own for those worried about a market crash.

Market crash: Telecom dividend stocks are also a solid target

Telus is one of the largest telecommunications companies in Canada. Its shares have fallen marginally in 2020. However, the stock is up 6% year over year. Telecom is undergoing a transformation as consumers move away from cable, but there is still big room for growth in wireless. These stocks can still protect your portfolio in a market crash.

In Q2 2020, Telus delivered revenue growth of 3.6% and free cash flow growth of 57%. The stock last possessed a favourable P/E ratio of 20 and a P/B value of 2.5. Telus currently offers a quarterly dividend of $0.291 per share, representing a 4.8% yield.

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Date
2025/08/14
Date Created
2020/10/17

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