3 Top Defensive TSX Stocks to Buy for a Market Crash

Description

Not every investor prepares for a market crash the same way. Some try to wait for the market to hit rock bottom so they can buy their favourite stocks at a more favourable valuation. In comparison, others try to solidify their existing portfolio and add defensive stocks to ensure that it recovers (or doesn't lose too much value in the first place).

If you are looking for defensive stocks to place in your portfolio, you may want to consider the three stocks we will discuss in this article.

A specialty food manufacturing company

Premium Brands Holdings (TSX:PBH) is a specialty food manufacturing and distribution company. The pandemic has been devastating for the restaurant industry, especially the retailers that rely quite heavily on foot traffic and people's work routine. But thanks to the wide variety of brands under PBH's umbrella, the company isn't in as bad a shape as others in the industry.

During the market crash, the stock dipped about 37%, and it reached quite near its pre-pandemic high by August. It's also a Dividend Aristocrat, which despite its payout ratio going beyond 100% hasn't slashed its dividends yet. But that's not something you should worry about too much since the company maintained its dividends with the worst payout ratios in the past.

A bank stock

Banks aren't typically a very good place to put your money "on" during a market crash or a recession, but Canadian banks are an exception. **National Bank of Canada** (TSX:NA) might be a powerful addition to your portfolio. It brings dividends, decent growth potential, and a lot of defensive stability with it. National Bank is one of the best growth stocks in the banking sector, the yield isn't too shabby, and the dividend growth rate is adequate.

After a costly first quarter, the net income and revenues of the National Bank reverted to their pre-pandemic quarterly values by the second quarter, after the abysmal numbers of the first quarter. Part of it can be attributed to the government's efforts and benefits that kept the money flowing into the system. But the bank survived the great recession without too much damage and is expected to survive that as well.

A utility company

Utilities are some of the safest companies to have in your portfolio in a market crash. But with utilities, your choices are a bit limited. You can get growth or a decent yield, but few stocks combine both. But if you are only looking for a high yield, **Canadian Utilities** (TSX:CU) might be the one you want to add. It's the oldest aristocrat on the TSX, and it's on its way to becoming a dividend king by American standards (50 years).

Currently, it's offering a powerful 5.5% yield, and if history is any indication, it's the least likely company to slash its dividends. With $20,000 invested in the company, you can start a dependable monthly dividend income of $91. It has a strong balance sheet, and if we consider the past five years, the company has slowly been improving its EBITDA.

Foolish takeaway

It's important to understand that even the most dependable defensive stocks aren't infallible. And they might not offer as much yield or as much growth as riskier stocks might. One way to get around it is to add these stocks to your portfolio during a market crash or a recession when the stock is undervalued. It would also allow you to lock-in a better yield.

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2. TSX:NA (National Bank of Canada)
3. TSX:PBH (Premium Brands Holdings Corporation)

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