Market Crash: Set and Forget These 2 Defensive Stocks

Description

The COVID-19 pandemic was in its infancy in the late winter and early spring of 2020. However, news of its coming impact spurred one of the most violent market pullbacks in recent history. Fortunately, investors who stuck to their guns and bought into the dip were rewarded. The pandemic has devastated the global economy. It is possible that we could see another market crash over the next year. Today, I want to look at two stocks that investors can stash that will protect their portfolios in such an event.

What stocks survived the last market crash?

Nearly every sector was hit by the news of an impending global pandemic, but some fared better than others. While the pandemic forced closures, especially in the service sector, essential services remained. That was good news for grocery retail and utility stocks. Historically, these have been dependable options even during what we could call a normal economic pullback. Below are two of my favourites in their respective sectors. Look to these in the event of a market crash.

Why Fortis is one of my favourite defensive stocks

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based utility holding company. Its shares have remained largely static in 2020. The stock has dropped 2.4% over the past month, shedding its meagre gains. What Fortis lacks in explosiveness, it makes up for in stability.

In Q3 2020, Fortis delivered solid earnings and boosted its five-year capital plan by $0.8 billion to $19.6 billion. It aims to substantially grow its rate base through 2024. Meanwhile, it has established a goal of 6% annual dividend growth through the end of the spending period. In the third quarter, Fortis announced another dividend increase.

The stock's quarterly dividend rose 5.8% to $0.505 per share. This represented its 47th consecutive year of dividend growth. Fortis is a stock Canadians can trust completely in the event of a market crash.

One more dividend stock to hold in a market crash

Empire Company (TSX:EMP.A) is the second defensive stock I'd target in a market crash. This company is one of the largest grocery retailers in Canada. It owns and operates top chains like IGA, Sobeys, and Farm Boy.

Investors can expect to see Empire's second-quarter fiscal 2021 results on December 10. In Q1 FY 2021, the company delivered same-store sales growth of 11%, excluding fuel. Earnings per share surged to $0.71 over $0.48 in the previous year. Empire has also launched a growth strategy. It is "targeting an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points." The company aims to achieve this by fiscal 2023.

Empire stock last possessed a favourable price-to-earnings ratio of 14 and a price-to-book value of 2.3. It offers a quarterly dividend of $0.13 per share. This represents a modest 1.5% yield. Though its yield is not substantial, Empire is a worthy defensive stock in a market crash as a top grocery retailer. Moreover, it has put together impressive earnings growth in successive quarters.

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