Defensive Stocks: 2 Solid TSX Gems

Description

Even as the market settles down, defensive stocks are still in demand for some Canadian investors. That is, investors with medium or short investment horizons might still be looking for resilient stocks.

Typically, these are stocks that resist the swings of the market and post decent numbers through thick and thin. As such, solid defensive stocks are typically those dealing in non-cyclical goods and services.

It's important for investors to find such stocks that have consistent and predictable revenue. While these stocks usually won't make any sort of crazy gains, they offer stability.

Today, we'll look at two **TSX** gems that can be welcome additions to any defensive portfolio.

Loblaw

Loblaw (TSX:L) is Canada's premier grocer, with a market cap of $22.64 billion. It also offers pharmaceutical services through many of its flagship stores as well as through the Shoppers Drug Mart brand.

It shouldn't be much of a surprise to investors that Loblaw is such a solid defensive stock. As Canada's largest grocer, it is relied upon to deliver essential goods and services to Canadians.

All throughout the various lockdown procedures this past year, Loblaw has continued to provide people with what they need most. This has shone through in its revenue figures, as it currently sports a near-7% figure for quarterly revenue growth.

For a frame of reference, most big ticket stocks have negative figures for the same measure. In another rare feat, through most of the summer months, Loblaw was a stock that was trading higher than where it started the year at.

Of course, past results don't mean much. But, the point is that Loblaw has the resiliency to perform well even while most other stocks are tanking. This is by definition what investors want in a defensive stock.

One knock for this TSX star is that its dividend of 2.09% is quite slim. For more income-hungry defensive investors, the next stock might be more appetising.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility giant, with operations spanning multiple continents. It provides essential utility services to its customers.

Through thick and thin, people will need to keep the utilities running. As a provider of these basics, Fortis has a highly-resilient revenue stream.

Moreover, Fortis provides nearly all of its services through regulated contracts. This makes for little unforeseen wavering in demand, and a very predictable source of cash flow.

These characteristics are represented in the performance of the stock. For one, the beta of 0.05 suggests that Fortis is quite stable and resistant to market swings.

As with Loblaw, Fortis too has positive revenue growth, albeit only around 3%. However, those looking for defensive stocks can't expect insane growth to begin with anyway.

This defensive stock is sporting a yield of 3.88% as of this writing, which is quite enticing considering the stable name it's attached to. So, for income investors, it's a solid defensive play.

Defensive stock strategy

Both these stocks can offer defensive protection in the face of market instability. This is because they both have resilient revenue models with predictable cash flow.

If you're looking to add some portfolio protection, these are two names to check out.

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1. Dividend Stocks
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2. TSX:FTS (Fortis Inc.)
3. TSX:L (Loblaw Companies Limited)

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