Think Market Could Crash in 2021? 3 Defensive Stocks to Buy Now

Description

The strong run-up in stocks amid weak economic data and stretched valuations is leading to speculations that the stock market could witness a sharp selloff in 2021. If you think that the market is heading for a crash, act now and consider buying these three defensive TSX stocks.

These TSX-listed stocks operate stable businesses and generate resilient cash flows that limit the downside.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns a rate-regulated utility business and generates stable cash flows, making it immune to the economic cycles. The company generates about 99% of its earnings from the regulated assets, implying that wild market swings aren't likely to impact its stock much. Approximately 82% of its revenues are protected through regulatory mechanisms or residential sales.

Fortis's strong business model and highly diversified asset base position it well to deliver strong growth in the coming years. The company expects its rate base to increase to $40.3 billion over the next five years, which is likely to support its bottom line and dividends.

While Fortis stock provides stability, investors could continue to benefit from its robust dividend payments. The utility giant has increased its dividend for 47 years in a row. Meanwhile, it projects a 6% growth in its dividend over the next five years, which indicates the strength of its base business and resilient cash flows. Fortis pays a quarterly dividend of $0.505 a share, reflecting a yield of 3.9%.

Kinross Gold

Kinross Gold (TSX:K)(NYSE:KGC) is a must-have stock in your portfolio if you think that the stock market could crash. A selloff in equities is likely to push the demand for gold higher and drive Kinross Gold stock higher.

Besides benefitting from higher demand and pricing, Kinross Gold could gain from growing production and declining cost. Notably, higher average realized prices and increased production from low-cost mines are likely to boost its margins and significantly drive its stock.

Moreover, this stock is trading at an attractive valuation. Kinross Gold's forward EV/EBITDA multiple of 5.3 is well below its peer group average. The recent retracement in Kinross Gold presents a good buying opportunity.

Similar to Fortis, Kinross Gold is likely to boost its shareholders' returns through consistent dividend payments. The company currently offers a decent yield of 1.6%.

Metro

Betting on the food and pharmacy giant **Metro** (TSX:MRU) could be a prudent move if you expect a sharp correction in the stock market. The economic downturn is unlikely to have an impact on Metro's financial and operating performance.

The retailer operates 953 food stores under multiple banners, which appeal to all demographics. The demand for its products is likely to be sustained, even amid a slowdown. Metro is expanding its digital capabilities by adding home delivery and click & collect services, which bodes well for growth and is likely to drive traffic.

Thanks to its strong revenues and resilient cash flows, Metro has raised its dividends for 26 consecutive years. Meanwhile, the Dividend Aristocrat pays a quarterly dividend of $0.225 a share, translating into a yield of 1.6%.

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2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:FTS (Fortis Inc.)
4. TSX:K (Kinross Gold Corporation)
5. TSX:MRU (Metro Inc.)

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