



1 Stock That Can Help You Prepare for a Market Correction

Description

While the U.S. and Canadian markets continue to soar like a rocket, technical analysis indicates markets may be due for a correction, but there's no reason to panic. You *can* prepare your portfolio for a market correction.

Be prepared for a market correction

Javed Mirza, analyst at Canaccord Genuity Capital Markets, expects the **S&P/TSX Composite Index** to decline to 16,790 points, an 8.7% drop from its current levels.

“Although momentum remains strong, particularly in the U.S., our technical work continues to flash warning signs that an intermediate-term (1-2 month) correction is on the horizon,” [Javed Mirza wrote in a note](#).

You might therefore want to make some changes to your portfolio. While cyclical and growth stocks tend to perform well in a bullish phase, they are sensitive to a stock market correction. On the other hand, [defensive](#) and value stocks will tend to perform better during a market downturn.

A stock to own during a market correction

Metro ([TSX:MRU](#)) is the kind of stock that could actually rise during a market correction. Indeed, the grocer has a beta of -0.16. A negative beta means that the stock tends to move in the opposite direction of the market. So, while Metro stock has fallen in recent days while the market has risen, this could change if the market crashes.

Metro owns grocery stores and pharmacies, which are defensive businesses. While many stores had to shut down because of the pandemic, Metro was able to continue its operations. It even managed to increase its sales and profit in the last quarter despite a labour conflict and a mild cold and flu season.

The company, which owns Metro grocery chain and Jean Coutu pharmacies, said comparable food

store sales rose 10% for the 12-week period ended December 19.

Drugstore sales rose only slightly, led by a 3.8% drop in front-store sales as measures to curb COVID-19 reduced in-store traffic as well as demand for cough and cold products.

In addition, Metro said that its warehouse sales to franchisees were affected by the labour dispute at a Jean Coutu distribution centre in Quebec, which had a dampening effect on the company's overall sales.

"Our contingency plan has enabled us to successfully maintain drug supplies to over 400 pharmacies," Metro President and CEO Eric La Fleche said in a statement. "We are now back to normal operating conditions in the distribution centre."

Metro raised its dividend

The grocery and pharmacy retailer also raised its quarterly dividend by 11.11%, from \$0.225 to \$0.25 per share.

Metro earned \$191.2 million or \$0.76 per diluted share for its first quarter, compared with earnings of \$170.2 million or \$0.67 per diluted share in the same quarter a year earlier.

Metro continues to innovate. Earlier in January, the grocer launched My Health My Choices, a new guide for customers who want to simplify their grocery shopping based on their own lifestyle, values, or health needs. Metro is the only grocery store in Canada to offer a food selection guide based on lifestyle and personal preferences through its My Health My Choices program.

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