Stock Market 2021: The 3 Best Defensive Stocks

Description

Volatility returned to the market in the final week of January. Top Canadian and U.S. indexes suffered triple-digit losses, while retail investors piled into a social media-fueled frenzy. At the end of 2020, I'd discussed the possibility of a stock market crash in 2021. Investors should stick to their long positions. However, it does not hurt to take profits and stash defensive stocks. Today, I want to look at three of my favourite stocks that can provide stability and security in 2021.

A defensive stock that rose after the 2020 stock market crash

In March 2020, investors were faced with a violent stock market crash. This volatility sprung out from the beginnings of the COVID-19 pandemic in North America and Europe. Nearly a year later, we are still wrestling with the pandemic. At the time of the crash, I'd suggested that investors pour into defensive stocks in the grocery retail space.

Empire Company (TSX:EMP.A) is one of the top grocery retailers in Canada. It owns brands like Sobeys, Farm Boy, and IGA. Shares of Empire have climbed 16% year over year as of early afternoon trading on February 1.

In Q2 FY2021, Empire reported same-store sales growth excluding fuel of 8.7%. Meanwhile, e-commerce sales soared 241% as online orders increased during the pandemic. Net earnings in the year-to-date period rose to $353 million compared to $285 million in the previous year.

Shares of Empire last had a favourable price-to-earnings (P/E) ratio of 15. This defensive stock offers a quarterly dividend of $0.13 per share, which represents a modest 1.4% yield. Grocery retailers are still strong targets in the event of a stock market crash or correction.

This utility stock is on its way to becoming a dividend king

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based utility holding company. Shares of Fortis have dropped 7% from the prior year. Investors can expect to see its fourth-quarter and full-year 2020 results in the middle of February.

In Q3 2020, Fortis revealed that it would raise its five-year capital plan by $0.8 billion to $19.6 billion. Fortis's commitment to rewarding its shareholders should pique the interest of investors looking for a defensive stock. The company has delivered dividend growth for 47 consecutive years. Its aggressive capital plan aims to bolster its rate base. This, in turn, will support annual dividend growth around 6% through 2024. That would make Fortis a dividend king by the middle of this decade.

Fortis is a solid target for those worried about the stock market. Its shares last had a solid P/E ratio of 19. Fortis offers a quarterly dividend of $0.505 per share, representing a 3.8% yield.

One more super-defensive stock to snag today

Northwest Healthcare Properties (TSX:NWH.UN) is a healthcare-focused REIT that qualifies as a strong defensive stock in this pandemic. This REIT offers investors access to a portfolio of high-quality global real estate. Its shares have climbed 12% from the prior year.

The REIT released its third-quarter 2020 results back in November. Its occupancy rate remained stable at 97.2% during the deadly pandemic. Adjusted funds from operations (AFFO) came in at $39.9 million — up from $35.5 million in the prior year. Northwest has been a strong hold since the 2020 stock market crash.

Shares of this REIT possess a favourable P/E ratio of 15. Best of all, it offers a monthly dividend of $0.067 per share. That represents a tasty 6.1% yield.

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3. TSX:FTS (Fortis Inc.)
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Date
2025/07/17
Date Created
2021/02/01
Author
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