



## Here's Why I'm Not Selling My Defensive Stocks

### Description

Since last fall, and especially after the vaccines began to be approved, investors have been slowly selling off their defensive stocks in favour of value stocks that have the potential to recover this year with the economy.

This makes sense. The market is forward looking, and we can't expect the pandemic to last forever. With that being said, though, I would caution investors against selling all their defensive stocks and taking on a tonne of risk at this time.

The economy should indeed be well on its way to recovery this year. A year in, and we understand the virus much better, we have better mitigating efforts, and, of course, the population is slowly becoming vaccinated.

What is less clear, though, is what the economy will look like after the pandemic. We can open back up, but where will consumers be spending their money?

A lot of Canadians faced heavy debt loads heading into the pandemic. So, with many of the stimulus measures set to expire eventually once we are in the clear, it's uncertain how well the economy will be able to grow and which discretionary businesses will be able to perform well.

It's this uncertainty, in my view, that makes defensive stocks a must-own, even today. You may want to reduce some of your defensive holdings from a year ago, but I would certainly be holding onto businesses that you can be confident in over the next few years.

Here are two of the top defensive stocks I'm holding onto.

### Consumer defensive stock

The first stock I'm holding onto indefinitely is **North West Company** ([TSX:NWC](#)). North West owns supermarkets and grocery stores in remote northern communities in Canada and Alaska as well as 20% of its business located in the Caribbean.

Grocery stores are some of the most typical defensive stocks you can buy. With North West, though, the operations are much more attractive.

Because it operates in remote communities with little or no competition, North West's business can thrive. Over the past few years, it's also integrated its operations, which has improved costs and profitability.

Owning its own cargo airline gives it a significant logistical advantage. Plus, with the pandemic still causing restrictions, the company is rapidly gaining market share in the communities it operates in.

So, although I'm holding onto my defensive stocks primarily while uncertainty remains high, once the pandemic's impact eases, I'm not so sure I'll be in a rush to sell North West.

The company is continuously improving its profitability and pays an attractive dividend. So, if you're looking for a high-quality and stable business you can rely on, North West is a top choice.

## Defensive green energy stock

Another defensive stock I can see myself holding for years is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Algonquin is a utilities company, first and foremost. Utilities are one of the most defensive industries you can invest in. Just as consumers need their household essentials and food above all else, they also need their electricity, water, and heat.

While important, Algonquin's defensive side of the business is not why I have my eye on this stock long term, though. Instead, it's for the company's incredible long-term potential through its renewable energy portfolio.

The future is bright for all [green energy stocks](#). So, that growth potential coupled with Algonquin's stable utility business are what makes the defensive stock so attractive today.

## Bottom line

Both of these businesses have incredibly stable cash flow that grows consistently year in and year out. And because both companies return capital to shareholders, it's no surprise they are two of the top [Dividend Aristocrats](#).

So, although we are well on our way to recovering from the coronavirus pandemic, and investors should certainly be looking at adding growth stocks to their portfolio, I wouldn't be so quick to abandon your defensive stocks either.

## CATEGORY

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NWC (The North West Company Inc.)

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