Market Volatility: 3 Best Defensive Stocks to Buy Now

Description

The **S&P/TSX Composite Index** started badly on February 26, as surging bond yields threw global markets into turmoil. Canadians may want to take some lessons from the previous market pullback in the late summer of 2020. At the time, I'd suggested that investors should target top defensive stocks in order to protect their portfolios. Let's dive in and see how investors can survive this latest bout of market volatility.

Why you should own utilities in this climate

Emera (TSX:EMA) is a Nova Scotia-based energy and services company. It is engaged in the generation, transmission, and distribution of electricity to its customer base. Shares of Emera were down 0.38% in mid-morning trading on February 26. Emera remains one of my favourite defensive stocks on the TSX.

Its stock has dropped 15% year over year at the time of this writing. The company released its fourth-quarter and full-year 2020 results on February 16. It delivered adjusted earnings-per-share growth of 3% in 2020. The weakening of Canadian exchange rates increased adjusted earnings by $5 million compared to 2019.

Shares of Emera last had a favourable price-to-earnings (P/E) ratio of 13 and a price-to-book (P/B) value of 1.5. This defensive stock offers a quarterly distribution of $0.637 per share, which represents a 5% yield.

Grocery retailers were top defensive stocks in early 2020

Few sectors proved as resilient, as grocery retail in the thick of the COVID-19 pandemic. Indeed, these entities saw a bump in sales as consumers rushed to stock up in the face of uncertainty. **Metro** (TSX:MRU) is a Montreal-based grocery retailer that boasts a strong footprint in Quebec. Its shares have dropped marginally in the year-over-year period.

The company released its first-quarter fiscal 2021 results on January 26. Sales rose 6.2% from the prior year to $4.27 billion. Food and pharmacy same-store sales were up 10% and 1.3%, respectively. Adjusted net earnings increased 9.3% from the prior year to $197 million. Metro is in a strong position, as we look ahead to the remaining quarters in this fiscal year.

Metro stock has fallen 6.7% in 2021 so far. Shares of this top grocery retailer last had a solid P/E ratio of 16 and a P/B value of 2.1. Investors should target this defensive stock in the face of market volatility.

One more stock to snag as volatility returns

Dollar store chains have performed well since the beginning of the 2007-2008 financial crisis. Previously, these retailers catered to a niche market. However, their consumer base has expanded dramatically over the last decade.

Dollarama (TSX:DOL) is the top dollar store retailer in Canada. Its shares have climbed 25% year over year at the time of this writing. However, the stock has dropped 8.7% in 2021 so far. It released its third-quarter fiscal 2021 results on December 9.

The dollar store giant achieved sales growth of 12.3% in Q3 FY2021. Meanwhile, Dollarama opened 19 net new stores in the quarter. Diluted net earnings per share rose 18.2% to $0.52. Moreover, EBITDA climbed 14.2% to $312 million. Like grocery retailers, dollar stores are well positioned to perform well in the face of economic turmoil. That is why I'm stashing this defensive stock right now.

Shares of Dollarama last had a solid P/E ratio of 26. Investors should look to snatch up the stock as February winds to a close.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:EMA (Emera Incorporated)
3. TSX:MRU (Metro Inc.)

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