The 3 Best Defensive Stocks to Buy in a Market Pullback

Description

The **S&P/TSX Composite Index** was up 112 points in late-morning trading on March 10. Meanwhile, indexes in the United States were also well into the black. North American stocks have rebounded nicely in the second week of March after a choppy start to the month. Still, investors should be prepared for a market pullback. “Buy the rumour and sell the fact” is the quote that should stick after the U.S. stimulus package has passed. Today, I want to look at the three best defensive stocks to buy in this environment.

Why this retail giant is a top defensive stock

Alimentation Couche-Tard (TSX:ATD.B) is a Laval-based company that operates and licenses convenience stores around the world. I’d recommended that investors snatch up this defensive stock at a discount in late January. Shares of Alimentation have climbed 5.1% month over month at the time of this writing.

The company is set to release third-quarter fiscal 2021 results on March 17. In Q2 FY2021, the company delivered total merchandise and services revenue of $3.8 billion — up 6.3% from the prior year. Net earnings rose to $757 million, or $0.68 per share, compared to $578 million, or $0.51 per diluted share, in Q2 FY2020. Like other retailers, it is poised to benefit from a global reopening as vaccines rollout to combat the pandemic.

Alimentation stock still has a favourable price-to-earnings (P/E) ratio of 13. Moreover, it boosted its quarterly dividend to $0.087 per share. That represents a 0.8% yield. This defensive stock is worth picking up for those watching for a market pullback.

Grocery giants thrived during the 2020 market pullback

Loblaw (TSX:L) is the largest grocery retailer in Canada. I'd recommended that Canadians hold onto defensive stocks in the grocery space back in October. Shares of Loblaw have climbed 3.7% in 2021as of early afternoon trading on March 10. The stock is down 2.7% year over year.

The company released its last batch of 2020 results on February 25. Revenue rose 7.1% from the prior year to $12.4 billion. Meanwhile, its e-commerce sales surged 160% as consumers moved to digital channels due to the COVID-19 pandemic. Adjusted EBITDA rose 5% year over year to $1.26 billion.

Grocery retailers proved to be reliable holds during the previous market pullback in 2020. Loblaw stock has a solid P/E ratio of 21. It offers a quarterly dividend of $0.335 per share, representing a 2% yield.

Here's another defensive stock I'd add amid volatility

Saputo (TSX:SAP) is the last defensive stock I want to look at today. It is one of the largest dairy producers on the planet. Shares of Saputo have climbed 6% in 2021 so far. Those who are worried about a market pullback should look to hold this defensive stock as we approach the spring.

The company released its fourth-quarter and full-year 2020 results on February 4. Adjusted EBITDA rose 4.4% from the prior year to $431 million. Meanwhile, net earnings increased 6.1% to $209 million. Fortunately, sales volumes were largely unimpacted in the year-over-year period in the face of the pandemic.

Saputo stock last had a solid P/E ratio of 25. The stock offers a quarterly dividend of $0.175 per share, which represents a 1.8% yield.

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aocallaghan