The 3 Biggest TSX Stocks to Tackle the Volatile Markets

Description

Stock markets are inherently volatile. Even if TSX stocks at large look strong this year and are expected to rally amid the economic recovery, it will not be a one-way move. There will be ups and downs in the short term. That's why investors should have some exposure to defensive stocks in their long-term portfolio. These defensive stocks outperform broader markets in volatile times and provide stability to portfolios. Here are the top three defensive TSX stocks.

Fortis

Canada's top utility **Fortis** (TSX:FTS)(NYSE:FTS) began operations 34 years ago with $390 million of assets. Today, the utility has $55 billion in assets and serves more than three million customers in Canada, the U.S., and the Caribbean.

Its low-risk, recession-resilient operations make its top line highly stable. The company generates 83% of its revenues from the residential segment or regulated operations. This provides earnings stability and visibility. That's why Fortis has increased its dividends for the last 47 consecutive years. Be it the 2008 financial crisis or the pandemic-led recession last year, Fortis maintained its dividend-increase streak.

Driven by stable operations, Fortis will likely continue its consistently growing dividends in the future. If you are looking for a secure passive income for the long term, Fortis could be one of the top stocks to buy.

BCE

Utilities and telecom stocks generally outperform when broader markets turn turbulent. The telecom giant **BCE** (TSX:BCE)(NYSE:BCE) could be an apt pick amid the volatile markets.

After a relatively weak 2020 led by the pandemic, BCE is betting big on its basics. It has upped its capital expenditure target for 2021 and beyond. It intends to spend $1.2 billion on network improvements and on its 5G infrastructure. BCE will likely see superior earnings growth in the next few years, driven by its spending on network upgrades ahead of the 5G revolution.

BCE stock currently yields 6%, the highest among peer telecom stocks. Its juicy yield and decent growth prospects make it an attractive bet in such volatile markets.

Royal Bank of Canada

Banking is one of the highly correlated sectors to broader markets. Thus, bank stocks would generally exhibit similar swings during volatile markets. However, the country's biggest bank **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is one of my top picks for long-term investors.

Royal Bank caters to 17 million customers in Canada and has a presence in more than 34 countries. The scale and diversified revenue base make it stand tall among peers. Also, Canadian banks like Royal Bank have a relatively superior credit quality that can withstand an economic shock. Notably, Royal Bank reported provisions of $110 million in Q1 2021, which were significantly lower than the provisions of $4.4 billion last year.

The lower provisions indicate an impending economic recovery and banks' improving earnings.

RY stock has soared more than 60% in the last 12 months, tracking the **TSX Composite Index**. Along with stable capital gain prospects, the stock offers a decent dividend yield of 4%. RY stock looks attractive from the valuation perspective and suggests more room for growth.

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