
Canadians: 1 Cheap Defensive Stock to Buy as the Market Waters Get Rougher

**Description**

Growth stocks are back on the retreat again, with renewed inflation jitters and all the sort. In prior pieces, I'd warned investors that the risk of another growth-to-value rotation was high, urging investors to play both sides of the trade with the perfect mix of growth and value. By betting on both overhyped growth and unloved value, one stood to do relatively well regardless of what was up next.



## Brace yourself for more volatility

Inflation, rate hikes, and all the sort are on the minds of jittery investors these days. The growthiest growth stocks could be in for another round of selling, so if you're one of many beginners who's still overweight in growth and tech, now is a great time to bring your portfolio back into balance with some of the fine value stocks that could be in a spot to outperform for the rest of 2021.

With a triple-mutant COVID-19 variant of concern (B.1.617) classified by the WHO as a global health risk, markets may also be in for rotations between bid-up reopening stocks and lockdown plays. Nobody knows what's up next. But I think it would only be wise to expect more volatility going into year's end.

If you're looking to shelter yourself from a potential pick-up in volatility triggered by vicious rotations in both directions, consider the following defensive Canadian stock, which should better hold its own as the market waters become rougher.

## Alimentation Couche-Tard

**Alimentation Couche-Tard** (TSX:ATD.B) is a low-beta stock that also happens to be one of the most misunderstood names on this side of the border. The convenience retailer has been steadily climbing back from the correction triggered by the firm's failed acquisition attempt. While shareholders are not fans of the firm's intent to acquire a grocer, I think investors have numerous reasons to cut Couche-Tard and its management team some slack.

Yes, Couche has underperformed over the past two years, thanks in part to pandemic headwinds and a lack of M&A activity. And now that Couche has its sights set on a grocer, many folks have opted to throw in the towel, as a grocer acquisition is likely to weigh on margins. As Couche's cash pile continues to grow, the bigger the splash it'll be able to make. With a low-margin grocery acquisition likely baked in here, I think shares could correct to the upside if Couche were to pivot back to acquiring small-scale c-stores.

The stock is dirt cheap at 0.9 times sales and 14.2 times trailing earnings. With many years' worth of double-digit earnings growth up ahead, I think it's a mistake to sleep on the night owl, which could awake from its hibernation at any time.

In short, Couche is being punished for its lack of action on the acquisition front and the surprising strategic pivot in its failed pursuit of Carrefour. Both factors weighing on the stock, I believe, are not material to the longer-term fundamentals.

## Foolish takeaway

Couche-Tard is a misunderstood retailer that could be in a spot to outperform, as volatility spikes again over rate jitters. Moreover, as an essential retailer, Couche-Tard stock will be less impacted if negative COVID-19 mutation news sparks a rush back into the lockdown plays.



**CATEGORY**

1. Coronavirus
2. Investing

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

**Category**

1. Coronavirus
2. Investing

**Date**
2025/07/28
**Date Created**
2021/05/11
**Author**
joefrenette