3 Defensive Stocks to Hold This Summer

Description

The **S&P/TSX Composite Index** was down seven points in late-morning trading on June 7. Markets have been subjected to increased volatility in the late spring. Some analysts and economists have even warned about dreaded stagflation, which would mean a period of low growth and high inflation. It remains to be seen whether North American economies can rebound fully from the pandemic and a tough labour environment. Today, I want to look at three defensive stocks that can provide some protection in an uncertain climate. Let's jump in.

This top grocery stock has been very reliable

Grocery retail stocks proved to be one of the most reliable assets during the COVID-19 pandemic. These entities were classed as "essential services," allowing them to operate fully during the crisis. Sales surged over the course of the year.

Empire (TSX:EMP.A) is one of the top grocery retail groups in Canada. Some of its top brands include IGA, Sobeys, FreshCo, and Safeway. Its shares have climbed 17% in 2021 at the time of this writing. The stock is up 38% from the prior year.

In Q3 fiscal 2021, same-store sales excluding fuel rose 10.7% from the previous year. Meanwhile, earnings per share jumped 47% to $0.66. It achieved e-commerce sales growth of 315% during the pandemic. The defensive stock last had a price-to-earnings (P/E) ratio of 15. It offers a quarterly dividend of $0.13 per share, representing a 1.2% yield.

One defensive stock that is chasing a dividend crown

Fortis (TSX:FTS)(NYSE:FTS) is a St. John's-based utility holding company. The stock has climbed 6.1% in 2021 as of early-afternoon trading on June 7. Its shares are up 2.8% year over year.

In the summer of 2020, I'd discussed why Fortis was worth holding for the long term. Fortis is on track to become a Dividend King by the middle of this decade. That means it will have achieved at least 50 consecutive years of dividend growth. It is one of my favourite defensive stocks.

In the first quarter of 2021, the company delivered net earnings of $355 million, or $0.76 per share. Adjusted net earnings came in at $0.77 — up from $0.68 in Q1 2020. The stock possesses a solid P/E ratio of 20. It last paid out a quarterly dividend of $0.505 per share. That represents a 3.6% yield.

Here's why I'm targeting this defensive stock in June

Alimentation Couche-Tard (TSX:ATD.B) is the last defensive stock I want to focus on today. The Laval-based company operates and licenses convenience stores around the world. These were also able to continue regular operations during the pandemic. Shares of Alimentation have increased 2.2% in 2021. The stock is up 7.4% from the prior year.

The company is set to release its fourth-quarter fiscal 2021 results on June 29. It achieved total merchandise and service revenues of $4.5 billion — up 5.6% from the prior year. Merchandise and service revenues posted growth of 6.3% in the year-to-date period.

Shares of Alimentation last had a favourable P/E ratio of 15. This is a worthy defensive stock to hold for investors bracing for potential instability.

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