



Worried About Volatility? Buy These 3 Top Defensive Stocks

Description

Amid the rebound in COVID-19 cases worldwide due to the new Delta variant, investors are worried that the pace of economic recovery could slow down. These concerns have increased the volatility in the Canadian equity markets, with the **S&P/TSX Composite Index** falling 3.2% from its recent highs. So, investors could buy the following three defensive stocks in this volatile environment to strengthen their portfolios.

Canadian Utilities

Canadian Utilities ([TSX:CU](#)) is a diversified energy infrastructure company involved in transmitting and distributing power and natural gas. It also operates power-generating and storage facilities. Meanwhile, the company earns around 95% of its adjusted earnings from regulated assets, thus shielding its financials from economic fluctuations and delivering stable cash flows. These steady cash flows have allowed the company to raise its dividends for the last 49 consecutive years — the longest among the Canadian public companies.

The company currently delivers a quarterly dividend of \$0.4398 per share, with its forward yield standing at 5%. The company will be making a capital investment of \$3.2 billion over the next three years, expanding its regulated utility assets. Further, the acquisition of Pioneer Natural Gas Pipeline could also boost its financials in the coming quarters. So, I believe Canadian Utilities is well positioned to continue raising its dividend in the coming years.

Waste Connections

Waste Connections ([TSX:WCN](#))([NYSE:WCN](#)) offers non-hazardous waste collection and disposable services. It also recovers resources through recycling and renewable fuels generation. So, given the essential nature of its business, I expect the broader economic environment to have little impact on its financials.

The company operates in exclusive or secondary markets that are less competitive. It also has waste-

disposable sites located closer to the market it serves. So, these factors have helped Waste Connections to maintain a healthier margin, despite its aggressive acquisition strategy. Last year, it had acquired 21 companies. Further, the recovery in oil demand could also boost its revenue from the E&P waste.

So, I believe [Waste Connections is an excellent buy in this volatile environment](#). With its cash and cash equivalents standing at [\\$743.5 million at the end of the first quarter](#), the company could continue with its future acquisitions. The company also pays a quarterly dividend, with its forward dividend yield standing at 0.7%.

Telus

Amid increased digitization, the demand for faster and reliable internet services is rising. So, I have selected **Telus** ([TSX:T](#))([NYSE:TU](#)), one of Canada's three prominent telecom players, as my third pick. The company has expedited its capital spending to strengthen its position in the growing addressable market. Telus has planned to invest around \$3.5 billion annually during this year and next year to expand its 5G and broadband coverage. After completing its broadband build in 2022, its capital spending could fall to \$2.5 billion from 2023.

Apart from these investments, Telus also focuses on expanding its high-growth verticals, such as TELUS International, TELUS Health, and TELUS Agriculture, through acquisitions. It recently acquired Playment and Conservis. So, given its healthy growth prospects, steady cash flows, and strong financial position, I believe the company's dividend is safe. Currently, the company rewards its shareholders with a quarterly dividend of \$0.3162 per share while its forward yield stands at 4.57%.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. NYSE:WCN (Waste Connections)
3. TSX:CU (Canadian Utilities Limited)
4. TSX:T (TELUS)
5. TSX:WCN (Waste Connections)

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Date

2025/08/24

Date Created

2021/07/20

Author

rmanjapla

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