



## 2 Interesting Value Stocks to Play Defence

### Description

The recent 3-5% pullback in markets has caused some to [run to the hills](#). The **Evergrande** debacle could evolve into something far worse, and all these calls for a correction may be proven right on the money. Now, that doesn't mean you should sell a considerable chunk of your portfolio, especially if your cash position is already sizeable. Whether or not we're close to a bottom after a near 5% dip in the **S&P 500**, you should not derail your investment plan after already taking such a hit to the chin.

These days, strategists at big U.S. banks see a correction anywhere from 5% to as severe as 20%. The actual drop will probably lie somewhere in the range. While I wouldn't aim to time the markets, I do think it's only prudent to play defence if your portfolio is in a vulnerable spot. How do you know if it is? If your holdings are down way more than the broader markets, then you may be ill-prepared for a worsening of this market selloff.

Don't time a 10-20% drop. But please do ensure you're not in a spot to shed 40-50% in such a drop, with names that could be in the crosshairs of this latest round of panic-selling. That means insisting on value above all else. While value stocks may be losing far less than the white-hot tech stocks that shed 3-5% on Monday, it's worth noting that names with stretched valuations are likely to lead the downward charge if this selloff drags into October.

Consider **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and **Canadian Tire** ([TSX:CTC.A](#)), two defensive stocks that look like a great value today. While they could eventually feel the effects of Evergrande if a bear-case scenario unfolds, I'd argue that each name has a valuation that's just too good to pass up on, even if you are expecting the worst to come for the autumn season.

### Fortis

Fortis is one of my favourite bond proxies, and for good reason. It tends to be one of few green arrows on vicious days like Monday. Up 0.4% on a big down day for markets, Fortis stock is a great way to keep your portfolio from falling as hard or as fast as broader markets.

If you believe we're in the early innings of a 10-20% sell-off, Fortis stock may prove to be a great bet

here. The stock is easier to hold during times of rampant volatility and the 3.5%-yielding dividend is investors' reward for holding through good times and bad.

Fortis may be perceived as a boring, retiree stock for risk-off or bearish investors. Far from the case. I think every Canadian investor should have such a name at the foundation of their portfolios to be prepared for pick-ups in volatility, either expected like the current bout or unexpected, like early 2020.

## Canadian Tire

Canadian Tire stock sagged over 4% on Monday before finishing the day off 3.2%. The resilient retailer now trades at a 9.97 times trailing earnings multiple, making it one of the cheapest discretionary retailers out there. The stock is off nearly 12% from its 52-week highs and could continue to be collateral damage as markets continue to sag from here.

Amid the weakness, expect the dividend, which yields 2.5% today, to swell to and potentially above 3%. Fundamentally, Canadian Tire is firing on all cylinders, with excellent results online and offline. The long-term strategy is still intact, and I'd look for the mid-\$170 level as an entry point.

Retail isn't a typical way to play defence. But the single-digit price-to-earnings multiple, I think, implies a nice margin of safety after a robust year that may yet to be fully [respected](#) by investors.

### CATEGORY

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:FTS (Fortis Inc.)

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