Got $2,000? 2 Defensive Canadian Stocks I'd Buy Now

Description

This season's quarterly earnings have started quite rocky, with numbers ranging from somewhat decent to downright abysmal. Undoubtedly, all eyes were on the mega-cap tech stocks on Thursday, and they missed the mark, plunging viciously in the after-hours. Indeed, such names are the leaders of this market, and without them going into year's end, the door could reopen for another pullback toward year-end.

Whether the pullback exceeds the 5% one endured in September and October remains anyone's guess. Regardless, playing defence with some of the neglected Canadian stocks with low multiples seems like a pretty good idea. Just maybe the many bearish pundits who forecasted a 10% correction will get one instead of a so-called Santa rally.

Time to play defence with Canadian stocks?

So, if you've got an extra $2,000, it may be time to start nibbling on the many defensive plays that seem better able to hold their value come the next market-wide pullback, whether it be 10% or 20%. Consider **North West Company** (TSX:NWC) and **Alimentation Couche-Tard** (TSX:ATD.B), two blue-chip defensives that seem to be trading at hefty discounts going into year's end. Given their low betas and historically-modest valuations, both names are prepared for a broader market correction.

Alimentation Couche-Tard

Global convenience retail company Couche Tard has been rather uneventful in 2021. The pursuit of Carrefour led to a negative reaction in the stock earlier this year. The proposed deal was declined almost immediately, yet the climb back dragged on.

Although Couche-Tard has started making smaller-scale acquisitions, the firm still has a considerable amount of dry powder on its balance sheet, and investors are beginning to get impatient. The company can make a huge splash with a massive acquisition in the c-store space, the grocery scene, or it can pick up its pace with smaller M&A moves.

Given suspect valuations in today's COVID-plagued market, I think Couche is likeliest to pursue smaller bite-sized deals. Although investors want a mega c-store deal, I believe smaller c-store deals with a chance of a big grocery splash to the scale of Carrefour can be expected over the next three to five years.

In any case, Couche stock is stuck in a rut, but its earnings will ultimately apply upward pressure on the stock with time. As a consumer staple, the firm is less likely to be impacted by a severe drawdown in consumer spending. At 15.4 times earnings, ATD.B stock is too cheap to ignore for value investors.

North West Company

Sticking with the theme of staples, we have a lesser-known retailer in North West. The company serves remote communities and rural areas where there's not as much in the way of competition. It's not a very lucrative niche, but it's one that North West has done very well in.

Indeed, the stock has been quite a choppy ride over the past five years, but if you caught the name on a dip, the swollen dividend yield was likely to keep your portfolio lesser correlated to the broader markets. After falling into a 10% correction, NWC stock trades at 11.1 times earnings alongside a 4.5% yield.

While shares of the Canadian grocery and retail company won't make you rich, the markets could well turn a corner going into 2022.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

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

PP NOTIFY USER

1. arosenberg
2. joefrenette

Category

1. Investing

Date
2025/08/29
Date Created
2021/10/31
Author
joefrenette