Worried About a Market Pullback? Buy These Defensive Stocks

Description

Canadian stocks encountered volatility in the final week of October. Indeed, the **S&P/TSX Composite Index** fell 160 points to close out the final week of the month. Many investors may be worried about a market pullback, as the Bank of Canada sets its sights on interest rate hikes. This has the potential to disrupt a market that has gorged on loose monetary policy. Today, I want to look at three defensive stocks that could provide some protection in this environment.

Here's why you can still trust grocery retail stocks

Back in March 2020, I'd discussed why grocery retail stocks were a worthy target. These defensive stocks are still worth your attention, especially with food prices pushing inflation to a near 20-year high. **Empire Company** (TSX:EMP.A) remains one of my favourite stocks in this space. Its shares have climbed 4.8% in 2021 as of close on October 29. However, the stock is down 2.6% month over month.

The company unveiled its first-quarter fiscal 2022 results on September 9. Gross profit rose $63.6 million year over year to $1.91 billion. Shares of this defensive stock possess a favourable price-to-earnings ratio of 14. Meanwhile, it last announced a quarterly dividend of $0.15 per share. That represents a modest 1.6% yield.

This defensive stock is on track to becoming a Dividend King

A stock is considered a dividend king if it achieves at least 50 consecutive years of dividend growth. So far, no TSX-listed stock has entered this elite group. However, **Fortis** (TSX:FTS)(NYSE:FTS) is on track to snag that crown by the middle of this decade. This defensive stock has climbed 5.6% in the year-to-date period.

Fortis released its third-quarter 2021 results on October 29. It reported a profit of $295 million in the third quarter — up from $292 million in the prior year. Revenue also inched up to $2.2 billion over $2.1 billion in the third quarter of 2020. It is on track to achieve strong growth in its rate base, which has spurred the company to project annual dividend growth of 6% through 2024.

Investors can rely on its quarterly dividend of $0.535 per share, which represents a 3.8% yield.

One more defensive stock you can trust for the long haul

This summer, I'd recommended **Park Lawn** (TSX:PLC) as a stock that investors could trust for the long term. The company provides funeral, cremation, and cemetery services in Canada and the United States. Death care is a space positioned to grow significantly in a continent that has a very large, and growing, senior population. That makes this a top defensive stock. Shares of Park Lawn have increased 32% in 2021.

In the first half of 2021, the company delivered net revenue growth of 16% to $178 million. Meanwhile, adjusted net earnings have climbed 39% to $22.8 million. Adjusted EBITDA posted 28% growth to $46.9 million.

Park Lawn is still trading in favourable value territory in comparison to its industry peers. Better yet, it offers a monthly dividend of $0.038 per share. That represents a 1.2% yield.

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3. TSX:FTS (Fortis Inc.)
4. TSX:PLC (Park Lawn Corporation)

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