2 Defensive TSX Stocks to Buy in an Expensive Market

Description

The market's valuation today has me looking to add some stability and defensiveness to my portfolio this month. I don't necessarily think the Canadian market's incredible bull run will end in December. But that doesn't mean my portfolio can't stand to benefit from adding a couple of defensive blue-chip companies to it.

If your portfolio skews towards high-growth tech stocks, which I'm guilty of, now may be a good time to add a couple of low-volatility TSX stocks to your portfolio. They may not generate the market-beating returns you're used to, but you'll be glad to own them during volatile market periods.

At the top of my watch list this month are **Algonquin Power** (TSX:AQN)(NYSE:AQN) and **Sun Life** (TSX:SLF)(NYSE:SLF). The two dividend stocks are certainly not the most exciting companies on the TSX. But that doesn't mean they don't belong in a long-term investor's portfolio.

In addition to bringing some defensiveness to your portfolio, the two company's dividends are yielding upwards of 3% right now. Not only that, but both TSX stocks are trading at very reasonable prices today. Now could be a very opportunistic time to start positions in these two dependable companies.

Algonquin Power

Utility companies are some of the most dependable stocks for an investor to own. Regardless of the condition of the economy, both businesses and consumers typically have their utility bills as one of the most important to pay. That's what keeps revenue streams predictable and volatility low with utility stocks.

Where this TSX stock differs from its peers is its exposure to the renewable energy sector. That exposure may explain why shares are down 15% year to date compared to the market's 20% gain, though. It's not been a great year for green energy stocks, with many leaders in the sector trading at a loss in 2021.

That being said, I'd argue that Algonquin Power's presence in the growing renewable energy sector is why the stock is up a market-beating 60% over the past five years. That's not even including the company's impressive 4.5% dividend yield, either.

With shares trading at a massive discount and reasonable valuation levels, there are a lot of reasons why any type of long-term investor would want to have this TSX stock on their watch list this month.

Sun Life

Insurance is another relatively unexciting industry to invest in. But there's nothing wrong with a boring investing strategy, especially when it comes to defensive stocks.

At a market cap of $30 billion, Sun Life is the second-largest insurance provider in the country. The company is largely focused on its global expansion today, with Asia leading the way for growth opportunities in the coming years.

Excluding dividends, shares of the TSX stock have slightly trailed the Canadian market's returns over the past five years. Going back a decade, Sun Life has crushed the market's returns, though. This insurance company is no stranger to delivering market-beating gains. And with Asia being projected as a major growth driver, it may not be long before Sun Life is once again delivering market-beating gains.

The TSX stock may be trading close to all-time highs, but it's still looking quite cheap right now. It's valued at a very affordable forward price-to-earnings multiple not much higher than 10. At these prices, I wouldn't be worried about picking up shares while the insurance stock is at all-time highs.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:SLF (Sun Life Financial Inc.)

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Author
ndobroruka