Market Correction: 2 Defensive TSX Stocks to Buy

Description

February and March 2020 saw the last major market downturn occur on the **TSX** and the world over, as the world panicked due to the global health crisis. However, stock markets have managed to perform well since the crash and thrived in the new normal.

The **S&P/TSX Composite Index** managed to soar to new all-time highs consistently through most of 2021. However, rising inflation rates and the prospect of the Bank of Canada telegraphing rate hikes in 2022 are leading to fears of another downside correction in the stock market.

If you are scared of a market pullback, it would be a wise decision to make defensive moves for your investment portfolio. Today, I will discuss two defensive TSX stocks that you could consider adding to your portfolio to mitigate capital risk as we inch closer to the next year.

Hydro One

Hydro One (TSX:H) is a Toronto-based $18.94 billion market capitalization company with a monopoly on electric transmission and distribution in Ontario. The utility business boasts a strong business model that makes it an ideal asset for investors seeking defensive businesses to buy and hold during market corrections.

Hydro One stock has put up a stellar performance on the stock market in 2021. The stock is trading for $31.66 per share at writing, and it boasts a 3.36% dividend yield. Its shares are up by 9.40% year to date, and it did not budge downwards with the broader market during the Thanksgiving pullback.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a Montreal-based $60.19 billion market capitalization telecom giant that has established itself as a dominant force in its industry. The telecom industry has proven itself to be one of the best defensive sectors in Canada during the pandemic. The top players in the telecom sector are easily the kind of assets you can depend on during a market correction to provide you with returns.

BCE stock has performed well throughout 2021. At writing, the stock is up by 20.46% year to date. It is trading for $66.23 per share, and it boasts a juicy 5.28% dividend yield. As its 5G services expand throughout the country, BCE could generate more revenues and see its performance on the stock market improve.

Foolish takeaway

Inflation fears, rate hikes, and the potential impact of yet another COVID-19 variant, combined with several other factors, are making global equity markets more volatile. The S&P/TSX Composite Index registered a sharp 5.31% decline between November 25 and December 1 before recovering by almost 2% at writing.

It remains to be seen whether the TSX will go through a full-blown market crash or if we are already past the downside correction as we move closer to 2022. If you are concerned about a market crash, you should consider making defensive moves to prepare your portfolio to mitigate capital risk.

Investing in companies like Hydro One and BCE could be a viable way for you to fortify your investment portfolio for a possible downturn.

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