3 Defensive Stocks if You Think a Crash Is Coming

Description

The **S&P/TSX Composite Index** soared higher on March 18, 2022, posting a record high of 21,818.47. Worst-performing sectors technology (+1.61%) and health care (+2.40%) showed some spunk and led all advancers. Energy stocks (-0.92%) retreated, although the sector remains up 29.75% year to date.

Investors, however, can't be complacent despite the spectacular finish to the week. Historically high inflation and geopolitical tensions can still unsettle financial markets. The two factors are intertwined in that inflation will persist because of the ongoing war and sanctions on Russian commodities.

Canada's primary benchmark has yet to experience a severe market correction this year. Nonetheless, many analysts believe global stock exchanges are flirting with a bear market. The coronavirus outbreak sent the TSX tumbling but recovery was swift. This time, no one knows how long stocks can rebound from a war-induced crash.

The call of the times is not to let your guard down. If you think a market crash is inevitable, take a defensive position right now. Companies like **TELUS** (TSX:T)(NYSE:TU), **Capital Power** (TSX:CPX), and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) are top choices of risk-averse investors.

Recession-resistant sector

Telecommunications firms like TELUS will hold up well during tough economic climates. The sector is recession-resistant and revenue-generating because the products and services are essential needs of people and businesses. In 2021, Canada's second-largest telco delivered strong financial results amid a challenging operational environment.

Darren Entwistle, TELUS President and CEO, said, "Our performance in the fourth quarter, and for the full year, was characterized by our hallmark combination of robust, high-quality and profitable customer growth, alongside strong financial results."

Entwistle adds that the highly differentiated and potent asset mix of TELUS are geared toward high-growth, technology-oriented verticals. He also cites the 12th year of its multi-year dividend growth program. TELUS trades at $32.29 per share and pays a 4.06% dividend.

Well-positioned for growth

The move toward renewable energy could accelerate if the war in Eastern Europe prompts more countries to reduce their reliance on oil and gas. Capital Power is well-positioned to take on a bigger role during the transition. The $4.84 billion growth-oriented wholesale power producer focuses on sustainable energy.

Capital Power owns a portfolio of power generation assets and still growing. Currently, it has 26 operating facilities in Canada and the United States. The total combined capacity of these high-quality, utility-scale generation facilities is 6,603.5 megawatts.

Performance-wise, the utility stock is stable thus far in 2020. At $41.72 per share, investors are up 5.73% year-to-date. Also, if you invest today, the dividend yield is 5.25%.

Gates' safety net

Microsoft founder Bill Gates has been risk-averse since last year and has rebalanced his portfolio. As of year-end 2021, he owns shares of Canadian National Railway and a little of **Canadian Pacific Railway**. Gates anticipates an international crisis and believes the best approach is to take positions in sectors related to basic human needs.

CNR is an economic driver owing to its vast railway network (19,500 route miles) that transports essential goods in various sectors. While the share price ($164.52) is more expensive, the modest 1.78% is safe and sustainable. Investors will have peace of mind and can rest easy amid the inflationary environment.

Wise move

The TSX is far from bear market territory, although uncertainties remain. It would be wise to create a portfolio of defensive stocks to counter market risks.

CATEGORY

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2. NYSE:TU (TELUS)
3. TSX:CNR (Canadian National Railway Company)
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