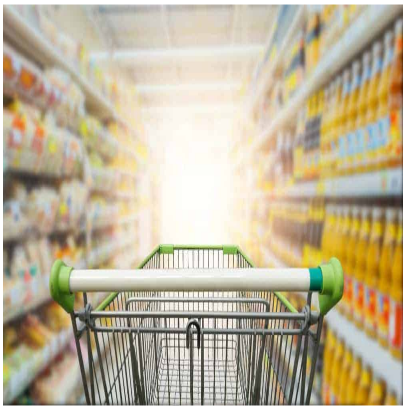

3 Defensive TSX Grocery Stocks to Buy in Case of a Recession

Description

Soaring gas and food prices, war in Ukraine, rising interest rates (including the prospect of a 75-basis point-hike in July), and layoffs in the tech sector have rattled Canadian investors.

Investors with a low-risk tolerance are searching for assets that do well under these conditions to add to their portfolios. Recently, this includes energy stocks, commodities, and precious metals.

Another possible alternative might be stocks from the consumer staples sector. These are companies that produce or sell staples that people tend to buy out of necessity regardless of economic conditions, such as food, beverages, household and personal products, packaging, or tobacco.

As such, consumer staples companies can often pass on costs to the consumer, which helps maintains their margins and profitability. Let's take a look at my top picks today.

Loblaw

As one of Canada's largest grocers, **Loblaw Companies** (TSX:L) engages in the grocery, pharmacy, health and beauty, apparel, financial services, telecommunications, and general merchandise businesses through both corporate and franchise stores and has been around since 1919.

Loblaw has some great characteristics that make it a potentially strong defensive pick. It's current five-year monthly beta, a measure of overall sensitivity to the broader stock market, currently sits at zero. This means that Loblaw is extremely uncorrelated with the movements of the market, which is great for a low-volatility pick.

Metro

Next up is **Metro** (TSX:MRU). Like Loblaw, MRU also operates in Canada as a retailer, franchisor, distributor, and manufacturer of food and pharmaceutical products. The company currently operates a network of 963 supermarket and discount stores, and 649 drug stores, all under various regional brands.

Metro also has a very low beta of just -0.05, making it an excellent holding to lower the volatility of your portfolio. In this case, Metro has a slightly negative beta, which indicates that on occasion, it moves inversely to the overall market, which could be beneficial during a correction.

George Weston

A great way of owning both real estate and grocers is through **George Weston** (TSX:WN). The company operates through two segments: Loblaw and **Choice Properties Real Estate Investment Trust**. This gives investors additional exposure to commercial, residential, tenant, industrial, and office properties.

George Weston has a slightly higher beta of 0.34, which is still decently uncorrelated but is less defensive compared to Loblaw or Metro. However, 55% of the current share float is held by insiders, which is generally a bullish sign. If management is buying, there's a good sign they think the company will do well.

The Foolish takeaway

Investing for a potential recession doesn't mean just holding on to cash (a bad idea with high inflation). Stocks from the consumer staples sector can add excellent value to your portfolio, even during a prolonged bear market. Thanks to their low beta and strong balance sheet, consumer staple stocks could potentially help reduce portfolio volatility.

CATEGORY

1. Investing

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1. TSX:L (Loblaw Companies Limited)
2. TSX:MRU (Metro Inc.)
3. TSX:WN (George Weston Limited)

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