



Are Any Defensive Stocks Trading Undervalued and Worth a Buy?

Description

With so much uncertainty and risk in the economy and stock market, defensive stocks have been in favour all year. Therefore, if you're looking to buy defensive stocks to add to your portfolio today, it's crucial to find stocks that offer adequate value.

Not only do investors look to buy more of these safer stocks in higher-risk environments, but they are also more reluctant to sell these stocks.

Why? These safe stocks have defensive operations, they typically offer attractive passive income; plus, they are much [less volatile](#) than the rest of the market and therefore can protect investors' capital well.

But when everyone is looking to buy these stocks, they can become quite expensive. So, are there any highly defensive stocks that offer attractive value and are worth a buy today?

A high-potential utility stock that's trading at an attractive valuation

Many utility stocks are some of the first businesses investors look to add when uncertainty picks up. However, while **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) has seen a slight rally from the bottom of its 52-week range, it still offers decent value for investors today.

With the stock currently trading at a forward [price-to-earnings](#) (P/E) ratio of 17.9, it is cheaper than almost all of its utility stock peers and below its five-year average of 19.3 times.

Plus, in addition to the value that the stock offers, Algonquin is one of the best defensive stocks to buy now, because it could also offer even more long-term growth potential due to its green energy segment. As many investors know by now, green energy has tonnes of tailwinds in this environment and should have a massive runway for growth over the long haul.

Therefore, if you're looking to buy top defensive stocks for your portfolio, Algonquin has robust utility

operations, a tonne of long-term growth potential, and a dividend [yield](#) that's upwards of 5.2% today.

Consumer staples are some of the best defensive stocks you can buy

In addition to a utility stock like Algonquin, another high-quality and reliable stock to buy and hold for the long haul is **North West Company** ([TSX:NWC](#)).

North West predominantly owns and operates grocery stores in remote regions across northern Canada and Alaska. This is a reliable and defensive business to own, because the food and household products it sells to consumers are essential. Furthermore, with the stock trading near the bottom of its 52-week range, it offers an excellent entry point for investors today.

The reason it's so cheap is that the stock is facing tough comparables from a year ago when it reports earnings next week, which has the stock price trading slightly undervalued.

And while North West is a defensive business, it has been slightly impacted by inflation, as it's elected to not pass on all the cost increases to consumers; instead, it will take a hit to margins in order to retain the market share that it gained through the pandemic.

But while this temporary impact may be slightly negative, the payoff should be much more positive over the long term for North West. Therefore, while the stock is trading off its highs and offering an attractive dividend yield of 4.3%, it's certainly one of the top defensive stocks to buy for your portfolio.

North West currently trades at a forward P/E ratio of just 13 times, which is not only attractively priced; it's also well below its five-year average of 15.3 times.

Therefore, if you're looking for defensive stocks that you can buy in this environment and hold for the long haul, North West is an exceptional stock, and it offers great value.

CATEGORY

1. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:NWC (The North West Company Inc.)

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