2 TSX Stocks That Have Defied the Bear Market

Description

The **S&P/TSX Composite Index** slipped into correction territory in the middle of June. Canadian stocks broadly bounced back in July and August and enjoyed a spike in the first half of September. However, the top Canadian index has plunged back to its bearish ways in recent weeks. It has been difficult for investors to find cover in this turbulent climate.

Today, I want to zero in on two TSX stocks that have been able to defy the bear market in 2022: **Loblaw Companies** (TSX:L) and **Metro** (TSX:MRU). What is behind this resilience? Can investors continue to depend on these equities? Let's dive in.

Why grocery retailers have weathered turmoil in the 2020s

Grocery retailers attracted considerable positive attention in the beginnings of the COVID-19 pandemic . At the time, the bulk of non-essential businesses were forced to close their doors for months on end. However, grocery retailers and other essential businesses stayed open. This meant that stocks like Loblaw and Metro were dependable targets in the face of a generational health crisis.

A historic vaccine drive seemingly put an end to the worst of the pandemic in the developed world. Unfortunately, investors were met with their next test in the form of soaring inflation. This, too, has been a strong point for grocery retailers and TSX stocks like Loblaw and Metro. Food prices have been one of the key drivers of inflation in 2022.

In August, the annual rate of inflation slowed to 7%. This still-high number softened due to lower costs at gas stations. However, grocery prices were up 10.8% compared to August 2021. That was the fastest pace recorded since 1981. Grocery retailers have feasted on these high prices and achieved a big jump in profits.

Here are two top TSX stocks that have thrived in the face of the bear market

Loblaw Companies is the largest grocery and pharmacy retailer in Canada. Shares of this TSX stock have climbed 3.8% in 2022 as of close on October 6. The stock is up 17% in the year-over-year period.

Investors can expect to see its next batch of results sometime in November. In the second quarter (Q2) 2022, Loblaw delivered revenue growth of 2.9% to $12.8 billion. Meanwhile, it posted adjusted net earnings of $566 million or $1.69 per diluted share — up 22% and 25%, respectively, compared to the prior year.

This TSX stock still possesses a favourable price-to-earnings (P/E) ratio of 18. Moreover, Loblaw last paid out a quarterly dividend of $0.405 per share. That represents a modest 1.5% yield.

Metro is a Montreal-based food and pharmaceutical retailer. It boasts a dominant footprint in its home province of Quebec. This TSX stock has increased 1.5% in the year-to-date period. Its shares are up 9.9% year over year.

In Q3 2022, Metro posted sales growth of 2.5% to $5.86 billion. Meanwhile, it achieved adjusted net earnings growth of 8.7% to $283 million and adjusted diluted net earnings per share jumped 11% to $1.18. Shares of this TSX stock currently possess an attractive P/E ratio of 18. It offers a quarterly dividend of $0.275 per share, which represents a 1.6% yield.

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