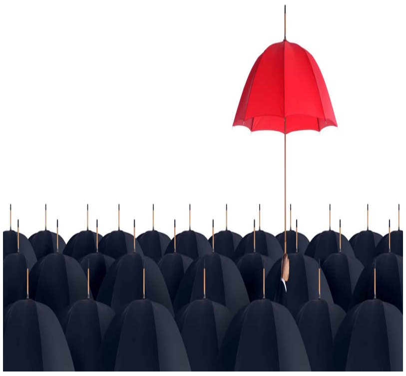

2 Defensive Dividend Stocks to Buy and Hold

Description

Stock market volatility has bled into the fourth quarter, with the strong start to October cut short in recent trading sessions. Undoubtedly, the bear market rallies have given false hope to many beginner investors inclined to catch the bottom. With so many investors fighting the U.S. Federal Reserve, it seems like we're amid a tougher 2018-style selloff, with a bit of 2000-01 mixed in.

Indeed, the calm before the recessionary storm tends always to be the worst for market participants. Right now, markets seem to be pricing in some earnings damage. Just how much, though, remains to be seen. It's impossible to know if we're en route for a hard landing or something much softer until well after the fact. That's why investors should stay the course and play it defensively where they can if they're worried the rate-driven recession will be a tad bumpier than expected.

In this piece, we'll have a closer look at two defensive grocers that have thrived amid lofty inflation and are likely to continue doing so as the economic lights fade in 2023. Enter **Loblaw** (TSX:L) and **North West Company** (TSX:NWC), two defensive dividend stocks to tread cautiously into the new year.

Loblaw

Loblaw stock is up an outstanding 19% over this past year, thanks in part to exceptional management through a rocky year. The $35.3 billion Canadian grocery behemoth recently announced its intent to launch driverless delivery trucks in the Toronto area. Undoubtedly, such self-driving tech is still in its early stages. However, there are reasons to believe that Loblaw's bold bet can help it improve upon margins even further.

Undoubtedly, Loblaw can't seem to do wrong these days. While the rough inflationary environment isn't as nasty for the grocers as they are for most other firms, Loblaw's managers do deserve top marks for their performance over the past few years.

Looking way ahead, Loblaw seems ready for the tech age. The company expects its e-commerce business to grow "significantly above today's levels." As Loblaw continues firing on all cylinders, the stock could be in for a wave of upgrades, as analysts factor in margin and sales enhancement from

Loblaw's forward-thinking initiatives. The stock goes for 18.2 times trailing price-to-earnings (P/E) ratio today, partly thanks to a recent 13% correction.

If you seek a defensive that can grow in a recession, look no further than the name. I think the latest pullback is a terrific buying opportunity.

North West Company

North West Company is a lesser-known grocer and discount retailer, but one that income seekers should get familiar with as recessionary storm clouds move in. North West serves remote communities that are hard for other retail chains to reach.

The stock's currently off around 17% from its recent $40-per-share high. Indeed, broader market woes have weighed heavily. At 12.2 times trailing P/E, though, NWC stock stands out as a bargain in the space, given the recession probably won't heavily impact the Canadian consumer staple.

North West may not be nearly as tech-savvy as Loblaw, but it's still a wide-moat firm whose recession resilience may yet be appreciated by investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:NWC (The North West Company Inc.)

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