How to: Defensive Stock Investing for Today's Market

Description

There's a place for conservative, defensive dividend stocks in every investor portfolio, particularly in today's rising interest rate environment. Higher interest rates increase the borrowing costs of businesses, making companies with debt-heavy balance sheets riskier investments.

Here are some examples of defensive dividend stocks that can help you pay the bills.

Telecom stocks

Telecom stocks are generally viewed as defensive stocks. **Rogers Communications** (TSX:RCI.B) has an investment-grade S&P credit rating of BBB+ and appears to be relatively cheap. So, it's a solid value stock to consider right now.

It has a below-market beta, which indicates it has lower volatility than the market. Telcos also generally have stable earnings from their subscriptions. Additionally, they can increase their subscription fees over time for the internet or mobile phone data plans.

Across 15 analysts, they have a 12-month consensus price target of $70.53 per share on Rogers Communications stock. In other words, at $57.44 per share, Rogers could appreciate about 23% over the near term. It also offers a nice dividend yield of approximately 3.5%.

Utility stocks

Like telecom stocks, utility stocks are also generally debt heavy. Precisely for this reason, many utility stocks have corrected in this higher interest rate environment. However, it doesn't change the fact that they can be defensive investments, especially if you buy them at good valuations.

Currently, **Fortis** (TSX:FTS) stock is a reasonable buy. The defensive stock with an A- S&P credit rating has been sold off. And thus, its valuation is compressed. This gives passive-income investorsthe opportunity to pick up shares for a higher yield of 4.2%.

Fortis stock has increased its dividend for almost half a century. Surely enough, the regulated utility is ready to continue its dividend-growth streak with a low-risk capital-investment plan through 2027. In this period, management foresees healthy dividend growth of about 5% per year. Consequently, assuming no valuation expansion, investors can pocket long-term total returns of about 9% per year.

Bank stocks

Bank of Nova Scotia (TSX:BNS) appears to be the riskier of the Big Six bank stocks, as it offers the highest dividend yield in the group. The elevated risk comes from its exposure to emerging markets in the Pacific Alliance countries. That said, BNS stock is still among the top defensive stocks in the Canadian stock market.

At $68.81 per share, the bank stock trades at about 8.1 times earnings, which is cheap. In good times, it can trade at about 11.5 times earnings, which is approximately 40% higher. For this upside, investors will need to be patient.

Fortunately, BNS stock pays investors handsomely for holding its shares. Its awesome dividend yield of close to 6% is covered by its earnings. Its 2022 payout ratio is expected to be roughly 48%.

If the stock trades at a price-to-earnings ratio of about 11.5 in five years, investors today can pocket total returns of about 13.4% annually.

The Foolish investor takeaway

It’d be smart for investors to opportunistically add defensive dividend stocks on dips. There are plenty of choices on the TSX in telcos, utilities, and banks. You can start your research with Rogers, Fortis, and BNS, which are good considerations for purchases.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:FTS (Fortis Inc.)
3. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard

3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2022/11/18
Author
kayng