Top Canadian Defensive Stocks to Buy Right Now

Description

While markets have started 2023 on a positive note, recession fears still linger. A weaker global growth outlook amid rate hikes and inflation woes will be key factors impacting equities this year.

All eyes on inflation and the Fed

The U.S. Fed has been on a rate-hike spree, as inflation reached record levels last year. Starting in March 2022, it raised benchmark interest rates by 425 basis points — one of the fastest policy-tightening paces on record. Many expect a pivot from the U.S. Fed this year. However, for the pivot to happen, we might first have to see more economic softness, mainly on the inflation front.

Things will be clearer when the Fed meets and delivers its next verdict on February 1. Markets will most likely remain volatile amid these uncertainties. So, growth stocks might remain trading under pressure, while defensives will take centre stage.

If you want to increase exposure to Canadian defensive stocks, here are some of the top names.

Fortis

What sets **Fortis** (TSX:FTS) apart in the current market environment is its earnings stability.

Be it a tech or a consumer sector, almost all companies will likely see earnings softness due to record-high inflation and higher rates. However, that's not the case with utilities. They see stable earnings growth in all economic cycles due to their large rate-regulated operations.

Fortis stock has gained 10% since October 2022. It currently yields 4% and offers dividend reliability. While it suffered from huge drawdowns in the second quarter (Q2) of 2022, it will likely keep moving higher this year, mainly on the Fed's pivot.

FTS pays consistently growing dividends and has a less-volatile stock, making it attractive for conservative investors

.

Enbridge

When it comes to safety and dividend investing, Canadian energy midstream stock **Enbridge** (TSX:ENB) is an appealing bet. It offers a juicy dividend yield of 6.4% — one of the highest among Canadian bigwigs.

Enbridge is an oil and gas pipeline company and does not have direct exposure to energy prices. This makes its earnings relatively less volatile and makes it a safe bet in the energy space.

ENB has increased its dividends for the last 28 consecutive years, which indicates stability and reliability. Apart from dividends, the stock has gained 7% in the last 12 months.

So, ENB might not mimic strong gains from the energy sector as we have seen in the past. However, it offers stability that will stand tall even when the sector sees a cyclical downfall.

Canadian Natural Resources

Canada's top energy producer **Canadian Natural Resources** (TSX:CNQ) is a combination of growth as well as a defensive stock. That's because of its stellar earnings growth since the pandemic. Like peers, CNQ has seen windfall free cash flow growth in the last few quarters, which has fueled steep dividend growth.

In 2022, it paid a dividend of $3.4 per share, implying a dividend yield of 4.4%. Note that it has raised dividends for the last 23 consecutive years.

The oil and gas sector is expected to do well in 2023 amid their pricing power in the inflationary environment. Plus, energy prices will again trend higher towards $100 a barrel due to supply woes. So, producers like CNQ will likely see significant earnings growth and continued balance sheet improvement in 2023.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FTS (Fortis 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. kduncombe
2. vinitkularni20

Category

1. Dividend Stocks
2. Investing

Date
2025/09/27
Date Created
2023/01/21
Author
vinitkularni20