Defensive Investors: 3 Stocks to Shore Up Your Portfolio

Description

Are you looking for defensive stocks to shore up your portfolio? If so, you're probably making a good move. In today's market, many stocks are getting expensive. Last year saw a prolonged bear market brought on by rising interest rates and poor earnings releases from big tech companies. This year, both factors appear set to continue: the Fed still has at least one more rate hike up its sleeve, and tech companies' fourth-quarter results were not very impressive.

The tech bear market reversed due to artificial intelligence (AI) hype, but it's not clear how AI will impact earnings just yet. At today's level, defensive stocks may be better buys than tech stocks. With that in mind, here are three defensive stocks to shore up your portfolio.

Fortis

Fortis Inc (TSX:FTS) is a Canadian utility stock that is well known for its dividend growth track record. The company has paid a dividend ever since it was founded, and has raised the dividend every single year for 49 consecutive years. Without question, FTS has one of the best dividend growth track records on the TSX. If Fortis does another dividend hike next year, it will upgrade from its current status as a dividend aristocrat to that of a dividend king – a stock with 50 years of dividend growth.

Will Fortis be able to pull that off? Possibly so! As a utility, Fortis provides an essential service that is highly regulated and protected from competition. Some utility stocks are suffering from high interest rates this year, but Fortis is still doing well. In its most recent quarter, it grew its earnings by 8% and hiked the dividend 6%. So, the dividend growth was not ahead of the growth in the whole business – a very encouraging sign.

Royal Bank

The **Royal Bank of Canada** (TSX:RY) is a very stable and dependable Canadian bank. It is well known for its Canadian retail bank, and also does investment banking in the U.S. and wealth management in the Caribbean. RY stock has a lot of things going for it. For one thing, it managed to achieve slight but positive earnings growth in its most recent quarter (2%), in a period when many companies saw their earnings decline. Also, it has a major deal in the works to acquire **HSBC Canada** from **HSBC**, which could bring a positive earnings impact. Finally, like all banks, RY can collect higher revenue when interest rates rise, making it uniquely suited to today's economic climate. All-in-all, Royal Bank is very much a defensive stock worthy of a look.

Alimentation Couche-Tard

Alimentation Couche-Tard Inc (TSX:ATD) is a Canadian retail stock best known for its *Circle K* convenience store chain. It bought the chain from a U.S. company in the 2000s, and proceeded to grow it in Canada by taking over gas station chains. ATD made a lot of money last year thanks to rising oil prices – part of its revenue comes from royalties on fuel sales. Oil prices are going down now, so we'd expect ATD's earnings growth to cool off. However, the company has a very good overall strategy, which involves growing organically by re-investing its own earnings, instead of aggressively borrowing. With disciplined companies like this, great things can happen.

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2. TSX:FTS (Fortis Inc.)
3. TSX:RY (Royal Bank of Canada)

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Date

2025/08/13

Date Created

2023/02/08

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