7 Safe Stocks to Buy If You Fear the Bear

Here are seven safe stocks to prepare for more choppy days ahead

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Safe stocks are what Wall Street is looking for in February. The bull market of 2021 seems far away in the rear view mirror as the S&P 500 and Nasdaq 100 indices are down 8.6% and 14.3% year-to-date (YTD). The jittery market sentiment stems primarily from anticipated interest rate hikes, rampant inflation, the omicron variant, supply chain issues, and most recently, a potential military escalation in Eastern Europe.

Recent research led by Campbell R. Harvey of the Fuqua School of Business at Duke University reminds us “The typical investment portfolio is highly concentrated in equities, leaving investors vulnerable to large drawdowns... Every crisis is different... Therefore, diversification across a number of promising defensive strategies may be most prudent.”

Meanwhile, investors seem to be bracing for a bear market, which typically occurs when the market sell-off leads to a 20% or higher drop in price. Thus, we’re not yet in a bear market as far as the main indices are concerned. But it’s still a good idea to search for safe stocks that tend to perform well regardless of whether the broader market does.

History tells us safe stocks operate in resilient sectors with stable earnings. Such industries typically include consumer staples, health care, essential transport, utilities and specific commodities. We’re likely to enter a period of risk aversion. Therefore, investors are likely to move toward asset classes or sectors they see as defensive or safe.

With that said, here are seven safe stocks to buy to prepare for a choppy ride ahead in 2022:

- AstraZeneca (NASDAQ:AZN)
- Chipotle Mexican Grill (NYSE:CMG)
- Enphase Energy (NASDAQ:ENPH)
- Equinor (NYSE:EQNR)
- Invesco High Yield Equity Dividends Achievers ETF (NASDAQ:PEY)
• **Microsoft** (NASDAQ: MSFT)

• **Store Capital** (NYSE: STOR)

**Safe Stocks for Bear Markets: AstraZeneca (AZN)**

**52-week range:** $46.48 – $64.21

**Dividend Yield:** 2.4%

Our first defensive stock, namely AstraZeneca, comes from across the pond, i.e., the United Kingdom. The prominent biopharma group develops drugs across various therapeutic areas, including cancer, diabetes, gastrointestinal and immunology.

AstraZeneca announced **Q4, 2021 results** on Feb. 10. Total revenue jumped 62% year-over-year (YOY) to $12 billion. Core earnings of $1.67 per share rose 56% YOY. Due to the **Alexion acquisition**, GAAP net loss came in at $346 million, or 22 cents loss per diluted share, compared to a net income of $1 billion in the prior-year quarter. Cash and equivalents ended the quarter at $6.33 billion.

“AstraZeneca continued on its strong growth trajectory in 2021, with industry-leading R&D productivity, five of our medicines crossing new blockbuster thresholds, and the acquisition and integration of Alexion,” CEO Pascal Soriot remarked, referring to products that generate over $1 billion per year in revenue.

Sales growth was in part fueled by the pharma group’s Covid-19 vaccine that is widely used in the U.K. and many other countries. Between new drugs across Oncology and Cardiovascular, Renal and Metabolism (CVRM) units, including the lung cancer drug Tagrisso, AstraZeneca has a deep pipeline of drug candidates, including 175 projects in various stages.

In 2022, management expects new drugs to more than offset the anticipated decline in Covid-19 therapies. In percentage terms, total revenue and core earnings are expected to increase by high teens and a mid-to-high twenties, respectively.

AZN stock hovers around $60, up 20% over the past year and 4.5% YTD. Shares are trading at 18.3 times forward earnings and 4.6 times trailing sales. The 12-month median price forecast for AstraZeneca stock is $68.02.

**Chipotle Mexican Grill** (CMG)

**52-week range:** $1,256.27 – $1,958.55
Newport Beach, California-based Chipotle Mexican Grill has become the largest fast-casual chain restaurant in the U.S., with roughly 3,000 stores at the end of 2021.

Chipotle reported Q4, 2021 results on Feb. 8. Revenue rose 22% YOY to $2 billion, fueled by new store openings and a 15% increase in comparable restaurant sales. Adjusted net income soared 60% YOY to $159 million, or $5.58 per diluted share. Cash and equivalents ended the period at $815 billion.

Investors noted that the restaurant giant has shown significant pricing power, offsetting surging food and labor costs with menu price increases. As a result, despite soaring costs, restaurant-level and companywide operating margins improved to 20.2% and 8.1%, respectively.

Almost 42% of revenue came from online channels. As roughly two-thirds of customers still use in-person dining, management sees considerable growth opportunities on the digital side.

Furthermore, the company's long-term strategy envisions more than 7,000 restaurants in North America alone. Chipotle plans to grow its restaurant base by 8% to 10% per year, with up to 250 openings in 2022.

CMG stock is currently priced around $1,458, down 17% YTD. Yet, despite the recent decline, shares are on the rich side, trading at 46.3 times forward earnings and 5.8 times trailing sales. The 12-month median price forecast for Chipotle stock stands at $1903.

**Safe Stocks for Bear Markets: Enphase Energy (ENPH)**

**52-week range:** $108.88 – $282.46

Fremont, California-based Enphase Energy has a lucrative niche within the residential solar market. The group offers home energy management solutions that connect solar generation, energy storage and monitoring solutions on a single platform.

Enphase released Q4, 2021 results on Feb. 8. Revenue hit a record of $413 million, up 56% YOY. Net income soared 44% YOY to $103 million, or 73 cents per diluted share, compared to $71 million, or 51 cents per diluted share, a year ago. Cash and marketable securities ended the quarter at $1 billion.

The company started deliveries of its IQ8 microinverters, which can create a microgrid even during a power outage. While microinverters continue to gain market share, IQ Battery shipments soared 53% from the previous quarter. In addition, the ClipperCreek acquisition has added electric vehicle (EV) charging services to its diversified portfolio of home energy management products.
Management forecasts first-quarter revenue of $420 million to $440 million. Analysts noted that it’d be robust sequential growth given that Q1 is typically a slow quarter in the residential solar space.

ENPH stock has declined roughly 50% from its all-time high in November, and currently hovers around $30 territory, down 28% YTD. Shares are trading at 50 times forward earnings and 14.5 times trailing sales. The 12-month median price forecast for Enphase stock is $220.

**Equinor (EQNR)**

**52-week range:** $18.45 – $32.17

**Dividend Yield:** 2.08%

Norway-based Equinor is a prominent oil and gas company with offshore operations concentrated in the North Sea. The government retains a 67% stake in the company. The oil company has also been investing in offshore wind and solar farms.

Equinor announced **Q4, 2021 results** on Feb. 9. Revenue increased 178% YOY to $32.6 billion. Net income came in at $3.37 billion, or $1.04 per diluted share, compared to a net loss of $2.41 billion in the prior-year quarter. Free cash flow during the quarter skyrocketed to $8.578 billion, up 529% YOY.

On the metrics, CEO Anders Opedal stated, “We are capturing value from high prices for gas and liquids with excellent performance and increased production. This resulted in very strong adjusted earnings after tax for the quarter and the full year.”

Equinor’s North Sea offshore operations boast some of the lowest breakeven prices in the industry. The company delivered 2.158 million barrels of oil equivalents per day, up 5.6% YOY. In addition to the rising price for crude oil, nuclear power plant shutdowns, lower imports from Russia and cold winters have also contributed to rising natural gas prices in Europe.

EQNR stock trades at around $31, up nearly 71% over the past year. Shares still have a moderate valuation at 10.9 times forward earnings and 1.43 times trailing sales. The 12-month median price forecast for Equinor stock stands at $36.

**Safe Stocks for Bear Markets: Invesco High Yield Equity Dividend Achievers ETF (PEY)**
52-Week Range: $18.63 – $22.07

Dividend Yield: 3.94%

Expense Ratio: 0.53% per year

Our next choice is an exchange-traded fund (ETF), namely the Invesco High Yield Equity Dividend Achievers ETF. It offers exposure to stocks selected principally based on their dividend yields and consistent growth in dividends.

PEY, which started trading in December 2004, has 51 holdings. The top 10 names account for around a third of net assets of $1.05 billion. In terms of the sub-sectoral breakdown, we see utilities (22.95%), followed by financials (22.52%), consumer staples (19.76%), energy (11.23%), and communication services (7.75%).

Leading stocks on the roster include tobacco giants Altria (NYSE: MO) and Philip Morris International (NYSE: PM), telecommunications heavyweight AT&T (NYSE: T), petroleum refiner and transportation fuels distributor Valero Energy (NYSE: VLO), oil major Exxon (NYSE: XOM), and leaf tobacco supplier Universal (NYSE: UVV).

The fund returned 10% over the past year, hitting an all-time high on Jan. 18. PEY is down 1% so far this year. Price-to-earnings (P/E) and price-to-book (P/B) ratios stand at 13.7x and 1.6x. Interested investors could wait for a dip to take a long position.

Microsoft (MSFT)

52-week range: $224.26 – $349.67

Dividend Yield: 0.86%

Technology giant Microsoft issued Q2, FY22 results on Jan. 25. Revenue soared 20% YOY to $51.7 billion. Net income increased by 21% YOY to $18.8 billion, or $2.48 per diluted share, up from $15.5 billion in the prior-year period. Cash and equivalents ended the quarter at $206 billion.

Despite its $2.2 trillion market cap, Microsoft is still growing at a rapid pace. The intelligent cloud segment delivered 26% growth YOY. Azure cloud infrastructure platform grew 46%. Revenue in advertising-sensitive LinkedIn and Bing search engine segments were also up 37% and 32%, respectively.

Microsoft recently made headlines when it announced plans to acquire game developer Activision Blizzard (NASDAQ: ATVI) for $68.7 billion. The acquisition could help drive growth in the gaming business while
building the groundwork for Microsoft’s metaverse aspirations.

Given the rapid growth in cloud computing, artificial intelligence (AI) and gaming, MSFT stock is likely to stay resilient in a bear market. It currently hovers around $285 territory, up 22% over the past 12 months. Shares are trading at 31.5 times forward earnings and 11.8 times trailing sales. The 12-month median price forecast for MSFT stock stands at $370.

**Safe Stocks for Bear Markets: Store Capital (STOR)**

**52 week range:** $29.52 – $37.13

**Dividend Yield:** 5.05%

Scottsdale, Arizona-based Store Capital is a real estate investment trust (REIT) focused on single-tenant real estate properties stateside. The company owns roughly 2,800 properties that it leases to single-tenant businesses.

Store Capital released Q3, 2021 results on Nov. 4. Revenue increased 14% YOY to $199 million. Net income came in at $75.9 million, or 28 cents per diluted share, up from $54.6 million, or 21 cents per diluted share, a year ago.

Thanks to its diversified real estate portfolio, the REIT boasts solid and stable organic income. Store's real estate portfolio has a 99.4% occupancy rate, with over two-thirds of tenants regarded as investment grade or better. The average lease length of 13.5 years is long enough to ride out the current chopiness.

STOR stock hovers around $30, down 12% YTD. The dividend currently generates a juicy 5.1% yield. The recent dip may suggest an entry opportunity for STOR stock. Shares are trading at 38.3 times forward earnings and 10.9 times trailing sales. The 12-month median price forecast for Store stock stands at $37.

On the date of publication, Tezcan Gecgil did not have (either directly or indirectly) any positions in the securities mentioned in this article. The opinions expressed in this article are those of the writer, subject to the InvestorPlace.com Publishing Guidelines.

Tezcan Gecgil has worked in investment management for over two decades in the U.S. and U.K. In addition to formal higher education in the field, she has also completed all 3 levels of the Chartered Market Technician (CMT) examination. Her passion is for options trading based on technical analysis of fundamentally strong companies. She especially enjoys setting up weekly covered calls for income generation.