3 Valuable Dividend Stocks Still Priced Cheaply

Description

Are you saddened, or maybe even frustrated, that you missed August 24's short-lived dramatic dips? You might have missed these dips:

- **Royal Bank of Canada** at $68, yielding 4.5%
- **Toronto-Dominion Bank** at $47.8, yielding 4.3%
- **Bank of Nova Scotia** at $52.6, yielding 5.2%
- **Fortis Inc.** at $34.2, yielding close to 4%
- **Canadian Utilities Limited** at $31.1, yielding 3.8%
- **Emera Inc.** at $41.7, yielding close to 4.6%

All of the above have recovered to higher prices and lower yields, but investing is not about pouting on missed chances that disappear as quick as a lightning flash. It's about taking advantage of current opportunities. And currently there is value to be found and dividends to be mined.

Pipeline opportunities

Oil and gas midstream companies are predictable businesses that generate stable and growing cash flows to support healthily growing dividends. **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) also dropped to lows of $49.5, yielding over 3.7% on Monday. However, even at the price of $53 today with a yield of 3.5%, it's still a good deal.

Enbridge forecasts to grow dividends by a compound annual growth rate (CAGR) of 14-16% through to 2018. That means by next year you'll get at least a 4% yield on cost with an investment at $53 today. Why pout about the missed shares at $49.5? You can buy the shares now. A goose in one hand is worth two in the bush.

Similarly, **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) fell as low as $42 for a yield close to 5% on Monday. However, even at today's price of over $45, it still yields a solid 4.6%. The company forecasts to grow dividends by a CAGR of 8-10% through to 2017. That means by next year you'll get at least close to a 5% yield on cost on an investment at $45 today. Why pout about the missed shares at $42? You can buy the shares now.

A cheap but valuable bank

There has been some sort of recovery in oil prices with the 10% surge Thursday morning, and **Canadian Western Bank** (TSX:CWB) ended up over 6% higher, indicating how interconnected the bank's stock price is to oil prices, and how its fluctuations have nothing much to do with how the business is doing.

Although 49% of the bank's loans are in Alberta and Saskatchewan, the bank's earnings are remaining strong so far. The company was so confident in the business that it continued to hike its dividend in June, marking its 23rd year of dividend hikes. In fact, in that regard, it has beaten the Big Six banks and is third only to Canadian Utilities and Fortis, which have increased dividends for over 40 years.

On Monday, the regional bank fell to $21, yielding 4.2%. Today, it has recovered to over $25 with a 3.5% yield, but it's still at least 28% off from its normal historical trading levels. Why pout about the missed shares at $21? You can buy the shares now.

In conclusion

Oftentimes, we kick ourselves for missing great opportunities, but when taking a step back, we know deep down that it's impossible to buy shares at the bottom.

Instead, long-term investors should think about buying quality companies at discounted prices. And right now, I believe all the above companies are still priced at discounted levels, even after the recent price recoveries. Are you going to let the geese wander in the bushes, or will you put one in your barn to lay golden eggs (i.e. dividends)?

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:CWB (Canadian Western Bank)
4. TSX:ENB (Enbridge Inc.)
5. TSX:TRP (TC Energy Corporation)

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