2 Strategic Dividend Stocks I'd Buy Today With an Extra $10,000

Description

The stock market is starting to look a bit shaky again, and investors have to be careful where they put new money.

Here are the reasons why I think someone with a bit of cash on the sidelines should consider **Fairfax Financial Holdings Ltd.** (TSX:FFH) and **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) right now.

Fairfax

Most investors look at Fairfax's $650 stock price and move on, but that could prove to be a costly mistake, especially in the current environment.

Prem Watsa, a guy many refer to as the Warren Buffett of Canada, runs Fairfax. He started the company in 1985 when he bought an insurance company and has since applied Buffett's strategy of using insurance premiums to purchase undervalued stocks and companies.

On the whole, he has done extremely well.

Watsa also has a knack for making big contrarian bets. The most profitable to date was a bet against subprime loans in the run-up to the 2008-2009 crash. That one bagged him a cool $1.5 billion.

Today, Watsa has placed another big bet on a bad event that could pay off substantially for Fairfax investors.

The guru is concerned Western markets are in for another rough ride and has 100% of his equity positions hedged as a result.

Watsa also believes Europe and the U.S. are headed for a nasty bout of deflation and has used derivatives to set himself up for a whopping gain of more than $100 billion if his hunch pans out.

The safety nets don't come for free, and so far they have been expensive for Fairfax and its shareholders. However, Watsa carried losses on the subprime play before it paid off, so the game isn't up yet on the deflation bet.

The stock pays a decent 2.2% yield, and buying Fairfax is a great way to build your own hedge against another meltdown in financial markets.

TransCanada

TransCanada had a rough 2015 as the oil rout and President Obama's rejection of the Keystone XL pipeline sent investors running for the exits. The sell-off got out of hand, and cooler heads have made some good money over the past six months, picking up the stock at very attractive prices.

The shares have rallied more than 20% this year, but I think more upside is on the way.

TransCanada has about $13 billion in near-term projects on the go that will be completed and in service by 2019. As the assets come online, revenue and cash flow should rise enough to support annual dividend growth of 8-10%.

Keystone is on the shelf for the moment, but a Republican win in the U.S. election could put it back on track. Here in Canada the company's Energy East pipeline is taking longer than expected to get the green light, but I think it will eventually be built.

The market doesn't appear to be pricing in the opportunities that these mega projects still hold.

Things are slow in Canada and the U.S., but TransCanada is winning deals in other markets. Mexico just gave it the nod to build a US$2.1 billion pipeline. The deal follows another US$500 million deal TransCanada recently won in the country.

Acquisitions are also part of the growth strategy. TransCanada is in the process of buying **Columbia Pipeline Group** in the U.S. for US$13 billion. That deal will add important infrastructure in the attractive Marcellus and Utica shale plays.

The stock pays a quarterly dividend on $0.565 per share for a yield of 4.1%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:FFH (Fairfax Financial Holdings Limited)
3. TSX:TRP (TC Energy Corporation)

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