2 Undervalued Dividend Stocks to Buy Right Now

Description

Although the TSX has performed poorly this year, the one benefit of dropping share prices is that dividend yields, which are inversely related, will rise and allow you to earn more per investment dollars. As long as the company is doing well and the sell-off is a result of market-related factors, then it could very well be a very good buying opportunity.

Below are two growing dividend stocks that are yielding more than 5% and are on sale after seeing a lot of bearish activity recently.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) has been on a downward spiral over the past 12 months, with its stock losing more than a quarter of its value during that time. It's a bit surprising that the stock didn't get much of a boost when oil prices were climbing. Now, with the recent pullback, it's certainly not getting any help.

Investors might be bearish on the industry in Canada, however, given the difficulty in getting pipeline projects approved, especially after some big ones have been delayed or cancelled.

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The other factor that could be concerning investors is that even with supply cuts being extended up to potentially the end of the year, that has still not been enough to get crude oil prices to stay above even US$70. Once output restrictions are lifted by OPEC, we can expect to see a significant drop in the price of oil, almost immediately.

However, Enbridge is a strong stock that's been able to withstand difficult times in the industry. Regardless of what happens, it's a blue-chip stock that is still a stable buy. The sell-off in the stock along with a recent hike in its dividend has pushed Enbridge's yield up to 6.7%.

The company has a strong history of dividend growth, and in the past five years, payouts have more than doubled, averaging a compounded annual growth rate of 16.3%. While there's no guarantee that the dividend will continue to increase at that rate, it's a good sign of the company's commitment to regularly increase its payouts.

There's certainly some risk with Enbridge, but you'll find that with most commodity stocks.

BCE Inc. (TSX:BCE)(NYSE:BCE) is another stock that has fallen victim to the bears. Earlier this year, we saw a sell-off begin after some poor results in the industry renewed investors' fears about whether traditional cable can compete with online streaming services and whether advertising dollars will slowly move away.

BCE is normally a very stable stock that doesn't see big swings, and year-to-date it has declined 8%, although in the last month the bleeding has stopped, as the share price has declined just 1%.

The company also recently hiked its dividend by more than 5%; combined with the drop in the price, investors will now earn more than $3 per share for a dividend yield of 5.4%. BCE has a solid reputation of growing its dividend over the years, and in five years has increased its payouts by 30%, for CAGR of 5.3%.

Despite the challenges the company may be facing, BCE is still a quality dividend stock that will offer you a great deal of long-term stability.

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