2 Undervalued Dividend Stocks to Buy Right Now

Description

One of the disadvantages of too much diversification is that you won't be able to take advantage of rising trends, and your overall earning potential will be limited. A more opportunistic strategy would be seeking out industries that are on the rise and that are currently undervalued. There's no better example of that than in oil and gas, where we've seen many stocks take a beating in the past year, even despite a rising commodity price.

However, we are starting to see a bit more optimism return to the industry, and if we see a long-term agreement in place to help support the price of oil, then that could be one way for capital to return to the industry and for share prices to gain some momentum. The stocks listed below have done very well recently and could be great buys today.

Suncor Energy Inc. (TSX:SU)(NYSE:SU) has continued to fight the trend of poorly performing energy stocks, as its share price has climbed more than 14% in the past year, and in just the last month the stock is up 10%. Suncor is a good, safe option for investors that want to benefit from the recovering oil and gas industry but that don't want to take on too much risk.

The company has stayed in the black in each of the past five quarters and has averaged a very respectable 12% profit margin while doing so. Suncor's commitment to finding new and innovative ways to bring efficiency and reduce costs is what has enabled it to be successful at a time when others have struggled. Recently, the company announced that it would deploy autonomous trucks in an effort to further pad its bottom line.

Despite the positive results that Suncor has achieved, it remains a very good value buy today. With a price-to-earnings ratio of just 17 and the stock trading at less than twice its book value, it's a very attractive buy given its strong prospects in the years to come. As well as the company has been doing today, it could be doing even better once the industry fully recovers.

The stock also pays investors a solid dividend of 3% per year.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is a bit of riskier play for investors, but for a stock that has declined ~75% in the past five years, it has a lot of potential upside if it can take advantage of more favourable industry conditions. While the company has recently struggled to a turn a profit with a loss in three of the past five quarters, Crescent Point has been able to keep its cash flows from operations positive, and if runs into trouble, it could slash its dividend to save money.

In its most recent quarter, Crescent Point saw revenues climb more than 27%, and despite a recent investor trying to drum up problems for the company, we are seeing some confidence return, as the stock has climbed 7% in just the past month. There's a lot of upside for Crescent Point, but it may take some time for it to be realized.

CATEGORY

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1. Editor's Choice

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