2 “Safe” Investments to Consider Before Buying Those Cheap Oil Stocks

Description

While oil is down, investors may well be looking for safer dividends elsewhere. Even a sturdy and normally popular oil ticker like **Canadian Natural Resources** is down 1.99% over the last five days. However, a rebound may be on the way as stockholders start to cotton on to the value opportunities brought about by bearishness in the oil space.

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Indeed, the cyclical nature of oil is being felt pretty acutely at the moment, as oversupply and doubts about economic growth continue to affect the markets like dangerous undercurrents at the beach. Some pundits have drawn attention to the fact that there is more going on here than simply a reaction to renewed tensions between the U.S. and China, and it is this complexity that is going to make navigation of oil stocks so treacherous for the rest of 2019.

So, should investors be looking beyond oil stocks for defensive growth dividends? While there are indeed opportunities to be had among unloved oil stocks at the moment, investors focused solely on low-risk assets that are going to bring in steady passive income may want to shop around in other sectors.

Dividends you can take to (and from) the bank

The clear choice for the community-minded investor looking for banking exposure, **Scotiabank** (TSX:BNS)(NYSE:BNS) is a key part of Canadian life, even if you don’t happen to bank with it. From the Scotiabank Calgary Marathon, operated in conjunction with the Scotiabank Charity Challenge, to its support of the SickKids-Caribbean Initiative, Scotiabank seems to be everywhere.

Four things get in the way, here, though in terms of full-blooded Scotiabank bullishness: weak past earnings -growth rates over the last five years averaging 5.3% are a turn-off, while a so-so past-year ROE of 12% and (unfortunately common) low allowance for bad loans also serve to dissuade. Perhaps the biggest waving red flag, though, would be Scotiabank’s exposure to the Canadian housing market, depending on one’s sentiment towards that sector.

Going for the green energy option

A large volume of shares was dumped by **Northland Power** (TSX:NPI) insiders in the past three months, but that doesn't mean would-be shareholders should stay away. Indeed, there's a big difference between cashing in a large investment in a company with which one has ties and an unbiased investor taking a modest, defensive position for long-term dividends as part of a diversified portfolio.

Northland Power's return on equity of 28% in the last year is significant, though the stats fall down somewhat when it comes to Northland Power's balance sheet, marred as it is by a high level of debt. Overvaluation is also something of a concern, with a P/B of 5.3 times book and overvaluation by almost $10 a share in terms of future cash flows being something of a concern.

The bottom line

Northland Power's dividend yield of 4.73% and strong market presence make for a solid alternative to oil for investors seeking exposure to the energy sector without the volatility of the "black gold." Meanwhile, Scotiabank's community ties and housing exposure may make this Big Six banker a win for investors especially bullish on real estate.

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