3 Cheap Dividend Stocks to Stick in Your RRSP Today

Description

The correction in the equity markets is finally giving Canadian savers a chance to buy some top-quality dividend stocks at reasonable prices.

Let's take a look at three stocks that might be interesting RRSP picks right now.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has paid its shareholders a dividend every year since 1829.

The company just reported fiscal Q3 2019 results that came in a bit weaker than the consensus estimate from analysts who cover the stock. This resulted in a knee-jerk dip in the share price that added to a general pullback we have seen in the broader banking sector in recent months.

Near-term volatility should be expected, and the stock could slide further, but buy-and-hold investors might want to start nibbling.

Why?

Bank of Montreal has a strong U.S. business to balance out its Canadian operations. The company remains very profitable with a return on equity of 13.5% and is well capitalized with a CET1 ratio of 11.4%. Earnings rose 1% compared to Q3 last year.

The dividend remains safe and is 7% higher than it was last year. The stock trades at a cheap 9.7 times earnings and provides a 4.5% yield.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) fell out of favour with investors in the the past three years, but a wave of changes at the company should make the stock more appealing. In fact, the market might not be appreciating the opportunity.

Enbridge identified $10 billion in non-core assets it wanted to sell after completing its $37 billion takeover of Spectra Energy. Buyers have already emerged for roughly $8 billion. The company also brought four subsidiaries in house to simplify the corporate structure.

The management team is shifting the corporate model to focus on regulated businesses, which tend to provide revenue and cash flow that are predictable and reliable.

As a result of the decisions, Enbridge should be able to cover its current $19 billion capital program through internal funding. This is important, as it means the company won't have to sell stock or borrow cash to finance the organic growth.

Enbridge is working through ongoing challenges with its $9 billion Line 3 replacement project, but those will eventually get resolved.

Enbridge traded as high as $65 in recent years. At the current price of $44.50, investors can secure a solid 6.6% yield with a shot at some nice upside.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) trades at $32 per share compared to $44 this time last year.

The company is a giant in the Canadian oil and gas sector with diversified production operations covering oil sands, conventional heavy oil, light oil, offshore oil, natural gas, and gas liquids.

CNRL controls 100% of most of its assets, meaning it has the flexibility to allocate capital quickly around the portfolio to take advantage of opportunities that come up in the market. The management team does a good job of maintaining a strong balance sheet and leverages its financial firepower to make strategic acquisitions when deals become available.

Investors also get a nice piece of the profits, and the board uses spare free cash flow to buy back shares.

CNRL raised the dividend by 12.5% in 2019, and investors should see steady hikes continue. The current dividend provides a yield of 4.7%.

Is one more attractive?

At this point, Bank of Montreal, Enbridge, and CNRL all appear oversold. As such, I would probably split a new investment across the three stocks to get diverse exposure and above-average yield.

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aswalker