Market Crash: 2 Top Canadian Dividend Stocks to Buy in a Market Correction

Description

Equity markets are starting to giving back some of the big gains enjoyed over the past year, and that is finally providing Canadian RRSP and TFSA investors with an opportunity to pick up some top dividend stocks at cheap prices.

default watermark

What's going on?

Fears that the Coronavirus will spread extensively beyond China are causing investors to book profits and shift money to safe-haven assets, including gold and government bonds.

The end result could be an extended market correction that ensnares stocks across most industries and segments. The concern is that the global economy might be hit hard this year. Indeed, the head of the IMF recently warned about the economic impact and many global companies are already sending out revenue and earnings warnings for the first part of 2020.

Buying stocks when the rest of the market is selling takes courage, but contrarian investors with a buy-and-hold strategy can take advantage of the dips. Let's look at two top **TSX Index** dividend stocks that deserve to be on your TFSA or RRSP radar right now.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) just reported solid results for fiscal Q1 2020. The bank generated adjusted net income of $3.5 billion in the three-month period compared to $3.2 billion in Q1 2019.

The return on equity (ROE) was a healthy 17.6%. To put this into perspective, the U.S. banks normally deliver average ROE of 10-12%. Euro area banks are only seeing average ROE of about 6%.

Royal Bank is well capitalized with a CET1 ratio of 12%. This means it has the financial capacity to ride out a meaningful downturn. The effects of the Coronavirus are still unknown, but it is unlikely the global impact will be as dire as we saw during the financial crisis.

Royal Bank received 62% of its revenue from the Canadian operations in the past 12 months. The U.S. added 23%, and the international businesses chipped in 15%. On a segment basis, the personal and commercial banking activities contributed 49% of earnings. Capital markets added 23%, wealth management provided 20% and the rest came from insurance and investor and treasury services. The balanced revenue stream is a large contributor to Royal Bank's success.

The board just raised the quarterly dividend by $0.03 to $1.08 per share. That's good for a yield of 4%.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) is Canada's largest integrated energy company with assets that range from oil sands and offshore oil production to refineries and retail operations.

The price of WTI oil is down from US$63 per barrel in early January to US$51 at the time of writing. The pullback is primarily attributed to concerns that the Coronavirus outbreak in China will significantly reduce the amount of oil the country buys in the coming months.

default watermark

As a result, Suncor's share price is down to $39 from $45 last month, and the dividend now provides a yield of 4.8%.

The stock already appears attractive at the current level, and any additional downside should be viewed as an opportunity to add to the position.

Suncor has a strong balance sheet and can use its financial firepower to add production and resources when the market hits a rough patch. The company then benefits when oil prices recover. The board just raised the dividend by 11% for 2020 and confirmed a share-buyback program of up to $2 billion over the next 12 months.

The bottom line

Royal Bank and Suncor are leaders in their respective industries and have strong track records of providing reliable dividends through difficult times. Suncor already appears oversold, and Royal Bank deserves to be on your radar in the event the stock pulls back in a meaningful way.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SU (Suncor Energy Inc.)

3. TSX:RY (Royal Bank of Canada)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/08/29
Date Created
2020/02/25
Author
aswalker

default watermark

default watermark