Canada Bank Crash: 2 Top Dividend Stocks to Buy on the Dip

Description

Investors have been forced to wade through the worst one-week market bloodbath since the Great Recession in the final days of February. The S&P/TSX Composite Index shed 324 points on February 27. This 1.9% drop was muted in comparison to the monster 1,190 point-drop experienced by the Dow Jones Industrial Average in the United States. This was the largest single-day point loss in the history of the index.

Yesterday, I'd discussed some tips from investing guru Warren Buffett. In a recent interview, he urged investors not to panic in the face of the COVID-19 outbreak. **Goldman Sachs**, the most prestigious investment bank in the United States, warned that this market pullback "might not find a bottom until July." At the time of this writing, European and Asian stocks were being routed and U.S. futures indicated another day of damaging losses.

The outlook for the Canadian and U.S. economies is still positive, so investors should not throw in the towel right now. On the contrary, this correction may present the most attractive buying opportunity since late 2018. Today, I want to look at three top dividend stocks that should be on your radar.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is the second-largest financial institution in Canada, and it also boasts the largest U.S. footprint of any of its peers. This has been a blessing in recent years, but in the first quarter of 2020 TD Bank took a hit from its segment south of the border. Shares of TD Bank have dropped 6.7% over the past week as of close on February 27. Futures indicate that this loss may deepen at the end of the current trading day.

In its first-quarter 2020 results, TD Bank reported adjusted net income of $3.07 billion and adjusted diluted earnings per share of $1.66 compared to adjusted earnings of $2.95 billion, or $1.57 per share, in Q1 2019. U.S. Retail was the rare weak link in Q1, as net income fell 8% year over year to $1.14 billion. This was largely due to reduced trading commissions at TD Ameritrade and reduced margins caused by three rate cuts by the central bank in 2019.

Shares of TD Bank last boasted a favourable price-to-earnings ratio of 11 and a price-to-book value of 1.5. Its stock last had an RSI of 25, putting it in technically oversold territory. In its Q1 report, TD Bank increased its quarterly dividend 5% to $0.79 per share, which represents a solid 4.4% yield.

Canadian Imperial Bank of Commerce

Earlier this month, I'd suggested that **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) was [worth targeting](#) for value investors. That discount has deepened over the course of this brutal week for global markets. Shares of CIBC have dropped 4.1% over the past week.

One of the reasons I was bullish on CIBC was because of the refocus on a domestic housing market that is in the middle of a promising rebound. In its Q1 2020 earnings report, CIBC posted a profit of $1.2 billion — up 3% from the prior year. It achieved this on the back of a strong performance in its Capital Markets segment, where net income soared 63% year over year to $335 million.

CIBC stock boasts the most enticing value of its peers, as it last possessed a very favourable P/E ratio of 9.3 and a price-to-book value of 1.3. Its shares had an RSI of 29, putting it in technically oversold territory. Investors hungry for income got more good news in Q1, as CIBC hiked its quarterly distribution to $1.46 per share. This represents a strong 5.5% yield.

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