Market Crash: Canada's Best Dividend Stocks Are Becoming Cheap

Description

It's becoming increasingly possible that the ongoing correction in stock markets will turn into something more drastic, ending the decade-old expansion that started soon after the 2008 Financial Crisis. If that is the case, then you should start putting together a plan to buy some of the best dividend stocks that will become extremely cheap.

When fear grips investors' minds, it always pushes stock values down more than they deserve. But this short-lived weakness also creates opportunities for long-term investors who want to stay invested and who aren't in the market to make a quick buck.

If you're an income investor with an aim to earn dividends from solid companies, then you should be ready to make your move and slowly start buying stocks, which ultimately recover and emerge as winners.

Here are two dividend stocks to buy, as their stock prices fall and their yields become more attractive.

Toronto-Dominion Bank

If you're on a hunt for such stocks, then I strongly recommend adding some of Canada's largest lenders in your portfolio. Canadian banks have been very consistent in rewarding investors through steadily growing dividends.

Their main strength comes from their strong local presence, ability to grow south of the border, and that they operate in a regulatory environment, which is among the best in the developed world. These lenders emerged strong after the 2008 Financial Crisis when their global peers struggled to survive.

And among the Canadian lenders, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is on top of my list. TD stock has shed more than 9% of its value in the past five trading days amid the coronavirus-induced selloff globally.

After this plunge, its stock is now trades close to the 52-week low, yielding just over 4%. I would buy this stock once its yield touches 5% and continue to add to my position.

The lender has an excellent payout policy, distributing between 40% and 50% of income in dividends each year. In addition, TD has a great diversification business with its wide presence in the United States. It generates about 30% of its net income from the U.S. retail operations. The bank also has a 42% ownership stake in **TD Ameritrade** with a fast-expanding credit card portfolio.

Fortis

Utility stocks are among the best defensive stocks in a market where a steep correction is taking place. The main reason investors flock to these companies is because it's highly unlikely that demand for water, gas, or electricity will plunge, even when the economy is facing a tough time.

In this group, St. John's-based **Fortis** (TSX:FTS)(NYSE:FTS) is my favourite due to the company's strong balance sheet and its diversified revenue base. The company serves customers in five Canadian provinces, nine U.S. states, and three Caribbean countries. The U.S. accounts for more than 60% of its assets, while Canada has more than 25%, and the rest are in the Caribbean.

During the ongoing sell-off, its stock has fallen 7%, taking its yield to 3.3%. As this slump deepens, we are likely to see its yield back up to 4% — a level hard to resist from this dividend-paying company.

With about 6% expected growth in its annual dividend payouts through 2024, Fortis stock is a solid addition in your income portfolio. With growing dividends, you also need stability in your return. Fortis has done a good job returning cash to its investors. The company has increased its dividend payout for 46 consecutive years.

Bottom line

There are many stocks you can target to buy when they become cheap. But you can use this example to build a strong dividend income portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/18
Date Created
2020/02/28
Author
hanwar