RRSP Investors: 3 Dirt-Cheap TSX Stocks With High Dividend Yields

Description

The broader markets remain volatile, as investors continue to take stock of the dreaded Coronavirus. Several industries, including retail, oil, and airlines, are expected to be severely impacted in this market sell-off. But this provides investors an opportunity to buy stocks at attractive valuations.

Dividend yields and stock prices move in opposition to each other. This means in case the stock price crashes, its dividend yield will move higher, making them attractive picks for value and income investors.

We'll look at three such stocks that have high yields and might gain momentum when the market stabilizes. With the RRSP deadline just around the corner, investors can look to allocate funds in the below companies.

NFI Group

NFI Group (TSX:NFI) is one of the top bargain buys for Canadians. I had first identified the stock as a cheap one back in December 2019, and the stock had gained over 30% until the market sell-off.

NFI is a Canada-based bus and motor coach manufacturer in North America. It has 32 fabrication, manufacturing, distribution and service centres in the United States and Canada. NFI has a price-to-sales ratio of 0.73, a price-to-book ratio of 2.5, and an estimated five-year PEG ratio of 0.47.

These valuations are extremely cheap considering NFI's estimated double-digit earnings and revenue-growth rate over the next few years. The cherry on top is NFI's juicy dividend yield of 5.5%, which makes it a solid value buy for investors.

Once the threat of Coronavirus is mitigated, NFI can expect coach deliveries to pick up again, which will drive top-line growth higher.

Enbridge

While the Coronavirus continues to impact global operations, investors can bet on Canada's large-cap giant **Enbridge** (TSX:ENB)(NYSE:ENB). Oil prices might also plunge if global demand declines, which will be detrimental to energy companies, including Enbridge.

However, Enbridge stock has already declined by 11% in the last six trading sessions, increasing its dividend yield to a tasty 6.2%. This means a $10,000 investment in the stock will generate $620 in yearly dividend payments.

Enbridge has the world's longest crude oil liquids transportation system, which somewhat insulates the company from the cyclical nature of commodity markets. It gathers, stores, processes, and transports natural gas in North America.

Enbridge's large size and robust cash flows have helped the firm to consistently increase dividend payments. In December 2019, Enbridge increased its quarterly dividend by 9.8% to $0.81 per share. In the last 20 years, Enbridge has grown dividends at an annual rate of 12.13%.

Emera

Utilities are considered defensive bets or recession-proof. This means you need to consider stocks such as **Emera** (TSX:EMA) for your RRSP portfolio. Emera is an energy and services company that invests in electricity generation, transmission and distribution, gas transmission and utility services.

In case the economy is in doldrums, central banks tend to lower interest rates to boost demand. This move tends to benefit utility companies that invest heavily in capital expenditures and can now take on debt at lower rates.

Emera and peers are part of a regulated industry, which means the entry barriers are high. It also means cash flows will be stable, resulting in dividend increases over the long term. While the S&P/TSX 60 is down over 7%, Emera has fallen less than 4% in the last six trading sessions.

Emera has a forward yield of 4.1%, and the stock has generated annual returns of 11.5% in the last 20 years. Emera has increased dividend payments at an annual rate of 6% since 2000, and it is expected to grow dividends by 4-5% till 2022.

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1. Dividend Stocks
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2. TSX:EMA (Emera Incorporated)
3. TSX:ENB (Enbridge Inc.)
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