2 Top Dividend Growth Stocks Yielding 4% Plus to Buy During the Market Crash

Description

Stock market corrections and bear market create an opportunity to acquire quality dividend-paying stocks at attractive valuations. While considerable uncertainty surrounds the short-term market outlook, over the long term, stocks have outperformed other asset classes.

Even Canada's banks that were savaged during the Great Recession of 2008 over solvency and balance sheet fears after global credit markets froze have delivered solid returns. The latest correction, which sees the **S&P/TSX Composite Index** down by 5% over the last month, makes now the time to add these two quality dividend stocks to your portfolio.

Canada's leading bank

Canada's largest lender, **Royal Bank of Canada** (TSX:RY)(NSYE:RY) has lost 5% over the last month on coronavirus and recession fears, creating an opportunity to acquire a leading bank at an attractive valuation. This becomes apparent when considered that Royal Bank is trading at a modest 11 times its projected earnings and less than two times its book value.

While the economic outlook has weakened considerably because of the impact of the coronavirus on the global economy, it shouldn't deter investors from adding Royal Bank to their portfolio.

The bank reported some solid fiscal first-quarter 2020 results, including an 11% year-over-year increase in net income and an impressive return on equity (ROE) of 17.6%, almost a full percentage point greater than a year earlier. That came on the back of record earnings from Royal Bank's Canadian banking and capital markets businesses.

Royal Bank is also well capitalized, finishing the quarter with a common equity tier one capital ratio of 12%, and possesses a high-quality loan portfolio, as is evident from its gross impaired loan ratio of 0.45% — over 0.01% lower year over year.

The bank is poised to soar once confidence returns to financial markets with a firmer Canadianhousing market and more optimistic economic outlook certain to buoy earnings.

Royal Bank continues to reward investors with a regularly growing sustainable dividend it has hikes for the last nine years straight to be yielding just over 4%.

Wide economic moat

Another attractive stock is pipeline and midstream services company **Pembina Pipeline** (TSX:PPL)(NYSE:PBA). The company, which has lost 4% over the last month, provides pipelines, storage and other crucial infrastructure that allows oil and natural gas producers to access energy markets.

That along with the inelastic demand for energy, significant regulation and steep barriers to entry endows Pembina with a wide economic moat that protects it from competition.

Those factors combined with 62% of Pembina's earnings coming from take or pay contracts virtually guarantees its earnings, rendering it a highly appealing defensive stock to hold during bear markets.

Pembina's earnings will continue to grow because it has $5.8 billion of committed projects under development expected to come online between now and the end of 2023.

The company has forecast that 2020 EBITDA could grow by as much as 9% to $6.50 per share, which is likely even in the current difficult operating environment caused by weaker oil prices.

If Pembina reports some solid full-year results, the company's stock will likely rally higher. While investors wait for that to occur, they will be rewarded by Pembina's monthly dividend, which, after being hiked for the last eight years straight is yielding a very tasty 5%.

Foolish takeaway

The latest pullback has created an opportunity to acquire two of Canada's top dividend growth stocks, Royal Bank of Canada and Pembina Pipeline at an attractive valuation while locking in juicy dividend yields of 4% and 5%, respectively.

CATEGORY

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1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:PPL (Pembina Pipeline Corporation)
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