Buy Canada's Rate Cut With This 1 High-Growth Dividend Stock

Description

There was a moment at the start of the week when it looked as though the worst might be over. Last Friday, investors had rushed to liquidate everything from banks and retailers to energy stocks. The **TSX** was down, and even packed up altogether for half of Thursday after a glitch put it offline. Few stocks came out unscathed, with a taste for gold and selected healthcare stocks emerging.

Stocks then rallied Monday, as investors sensed the bottoming out of the market. Then came the Fed rate cut, and Monday's window for contrarian selling slammed shut. The rally had come too soon.

The big news midweek was Canada's Wednesday interest rate cut, matching the Fed's half-percent drop that stunned the markets on Tuesday. With the Bank of Canada ready to make further cuts, as the coronavirus outbreak menaces the global economy, TSX investors clearly have a choppy market to navigate this year.

Get ready to buy gold

The markets may have been slow to respect the risk inherent in the outbreak, but they are certainly catching up now. So, how should Canadians play a potentially drawn-out downturn that may be only negligibly improved by rate cuts?

Jim Cramer might have said it best when the Fed cut the interest rate on Tuesday. "When rates go this low, you reignite (the) rally in gold, which soared today. I would buy gold aggressively on this rate cut — aggressively — especially as protection against whatever horrific predictions made the Fed want to take such a drastic move today."

Cramer is also bullish on dividend stocks. Investors may want to mix the two strategies and snap up top gold dividend stocks such as **Newmont** and **Barrick**. An alternative, and one that taps the green energy revolution, would be **Lundin Mining** (TSX:LUN) for its strong exposure to copper upside, a dividend yield of 2.34%, and potential shareholder returns totaling +40% by the mid-20s.

Leaning into the green economy is a smart move at the moment, with oil stocks being prime targets for trimming on a rally from OPEC's potential production cuts — aimed to raise prices amid the battering coronavirus headwinds. Lundin Mining is a great value option in the green power space, trading at book value but with a deep discount of 70% off its future cash flow value, with an estimated 21.5% annual earnings growth on the cards.

With assets spread across regions as diverse as North America, Chile, Sweden, and Portugal, Lundin Mining is suitably low risk. The company's exposure to metal markets also displays risk-spreading diversification with a strong presence in copper followed by nickel, zinc, and gold. As such, it's a strong low-exposure play for the high growth of worldwide trends in alternative power, electronics, and electric vehicles.

The bottom line

The emerging global economic crisis calls for strong investment portfolios anchored with safe-haven assets and dependable dividends. With its varied blend of metals, broad geographical spread, and moderate but dependable dividend, Lundin Mining is a strong addition to a stock portfolio ahead of a bear market.

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