Market Crash: Are These TSX Stocks on Sale?

Description

The current market crash has caused stocks to take a massive tumble. For some investors, this means it's time to liquidate and sit on cash. However, the Foolish investor should be looking at this crash as a potential buying opportunity.

There's no question that there are immediate threats to the global economy. However, over the long term, stocks with strong fundamentals should recover from the market crash to reach new heights. As such, investors with a long-term outlook might consider quality stocks to be on sale at the moment.

Buy dividend-growth stocks in a market crash?

In particular, dividend-growth stocks make a great target for investors with long horizons. This is because buying at deflated prices allows investors to lock in higher dividend yields and then watch as both the share price and dividend payout appreciate over time.

However, it's important to distinguish between businesses that still have strong underlying fundamentals, and businesses that have materially changed with recent conditions. The former represents a stock on sale, while the latter may represent a hurting stock. Today, we'll examine two well-known dividend-growth stocks that may be attractive buys during this market crash.

Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is a major Canadian bank with a growing presence in the U.S. as well as Latin America. Its positioning in Latin America is particularly exciting, because of the potentially quick growth of those economies.

As of writing, shares of BNS can be had at a P/E ratio of 7.8 — the lowest since 2016. The stock isalso trading at $53.01, which represents a 6.79% annual dividend yield. The company has a greattrack record for consistently raising dividends, and with a payout ratio of about 52%, BNS clearly hasroom to grow its dividend over time.

Now, there's no question the recent rate cuts are going to squeeze margins lower for all banks, including BNS. However, BNS currently operates with a 30.17% profit margin (second highest amongst Canadian banks) and has relatively stable cash flow. This should help it weather the storm of a low interest rate environment and persevere through a market crash.

Long-term investors should recognize that while rate cuts may create short-term hiccups in BNS's bottom line, signs point to stability and a healthy business in the long run. By scooping up shares of BNS, investors can lock in a yield of 6.79% and watch as compounding works its magic over a long investment horizon.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is an energy infrastructure and distribution company, operating in Canada and the United States. It's another major Canadian dividend-growth stock that's been hit by the market crash. However, ENB's fall may also indicate the underlying business could be in trouble.

The company last reported earnings in December, missing estimates by 3.2%. As well, year-over-year quarterly earnings growth stands at -28.9%.

What may be most concerning, though, is the recent arm-wrestling going on between Saudi Arabia and Russia. Saudia Arabia has flooded the market with cheap oil, and the price of a barrel is nearing (or already sunk below) the break-even point for many Canadian producers. This could put a real kink in ENB's distribution. Considering ENB is operating at a profit margin of 11.39%, there's no room for error or slowdowns in its operations.

While the current 8.91% dividend yield might seem enticing, there seems to be strong headwinds ahead that can impact the health of the business. ENB's great dividend track record may convince investors to stay put or encourage new investment, but I'd recommend being cautious before diving in head first.

Market crash strategy

A market crash is an opportune time for long-term investors to pick up stocks on sale. However, it's crucial for investors to be mindful that some stocks have had their fundamentals altered with recent events. BNS is a good example of a stock that may simply be undervalued for the long run, whereas a stock like ENB might really have significant downside risk still ahead.

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