TFSA Investors: 2 Dividend Heavyweights That Won’t Stay This Cheap Forever!

Description

There’s never been a better time to be a buyer of dividend stocks now that the market is one significant decline away from a bear market. Many Canadian stocks are already down substantially, with dividend yields that are close to the highest they’ve been in recent memory.

The propped up dividend yields based on your invested principal will be yours to keep, even as yields revert to their means in a market rebound.

So, without further ado, consider the following two dividend heavyweights if you’re looking to average up your Tax-Free Savings Account (TFSA) yield while paying less to do so:

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) stock took a beating, with shares now down 21% over the last few weeks on the coronavirus-driven meltdown and the oil price war.

The latter black swan event led to one of the worst days for the Canadian banks since the Financial Crisis. Plunging oil prices, which could fall as low as US$20 over the near-term, don’t bode well for Canada’s banks, which were already in a world of pain amid their transition into the next credit cycle.

Saudia Arabia is ready to flood the global markets with oil following the failure of OPEC+. The already ailing Albertan oil firms could find themselves in an ever lower oil price environment up ahead, which could mean a slew of bankruptcies across the board. As a result, Canadian banks could face a rise in bad loans and provisions at the worst possible time.

It’s unfortunate to have more challenges amid already difficult times, but the Canadian banks will persevere as they always have.

Bank of Nova Scotia is also suffering income declines in its international business, and while it seems like the bank is between a rock and a hard place, there's a light at the end of the tunnel for those with time horizons beyond three years.

The stock trades at 7.9 times forward earnings with a bountiful 6% yield.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) took a brunt of the damage from the oil collapse on Monday. The stock is now down 30% for the week, and the dividend has swelled to 7.4%.

The company transports around 3.2 million barrels of oil equivalents per day and can be relied upon even in the "lower for longer" oil price environment. Pembina has $5.8 billion in growth projects that could fuel many years' worth of stable cash flow growth over the coming years.

Of course, as a pipeline player, Pembina faces regulatory hurdles, but as they slowly but surely come online, the stock will rally accordingly.

While the recent collapse in oil prices looks dire for Pembina, investors need to remember that the pipeline underdog has been through such shocks before, only to bounce back. This time will be no different, especially given the wonderful managers running the show.

Pembina stock trades at 13.8 times next year's expected earnings and 1.4 times book, providing value-conscious income investors with an opportunity to bag a huge bargain. I'd catch the falling knife here before it has a chance to ricochet. The dividend is just too good to pass on.

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joefrenette