RRSP Investors: 2 Top Canadian Dividend Stocks With Huge Upside Potential

Description

The market crash of 2020 will be remembered as a frightening event. Investors will also likely look back on this time as one of the best buying opportunities in history.

In less than a month, top-quality stocks with long track records of revenue and earnings growth have lost as much as half of their market values. Companies with decades of steady dividend increases and reliable payouts are trading at unbelievable multiples.

Yields that were once in the 3-4% range are now 5-7%, providing savvy investors with an opportunity to secure great returns while getting a shot at large gains on a market rebound.

Let's take a look at two stocks that appear oversold today and might be attractive picks for a self-directed RRSP.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third largest bank by market capitalization. A month ago the stock traded for nearly $75 per share at writing. In recent days it hit a multi-year low of $52 and currently trades at $59. Investors who buy at this price can lock in a 6% yield.

Risk?

Bank of Nova Scotia likely carries more risk than its two larger Canadian peers due to its significant presence in emerging markets. The bank is betting big on Latin America, with a focus on Mexico, Peru, Chile, and Colombia. These countries form the core of the Pacific Alliance trade bloc.

The pact enables the free movement of labour, capital, and goods among the four markets. Combined, they are home to more than 220 million consumers.

The coronavirus outbreak is pushing the global economy towards a recession. This would put additional pressure on commodity prices, including oil and copper. The products are key drivers of the

Pacific Alliance economies and a prolonged downturn will have a negative impact.

That said, the sell-off in Bank of Nova Scotia's share price might be overdone. The stock is trading at just 8.7 times trailing 12-month earnings, which appears very cheap for a company that remains very profitable and is well capitalized.

Should the Pacific Alliance economies take a big hit, Bank of Nova Scotia could use the downturn to buy additional assets at cheap prices, which would be benefit investors in the long run.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leader in the Canadian and U.S. energy infrastructure sectors with oil and natural gas pipelines running throughout the two countries. The recent rout in the oil market hit the stock quite hard. The pullback might be overdone, however. Enbridge doesn't produce oil and gas. It simply transports the products along its network.

The revenue stream is quite secure and reliable, as the majority of Enbridge's customers are leading players in the oil and gas industry. The utility businesses are also steady income providers.

Enbridge delivers natural gas to more than three million residential and commercial clients. It also has renewable energy assets that include wind, solar, and hydroelectric facilities.

The company expects distributable cash flow to grow by 5-7% per year. Dividends should increase at the same pace.

The stock bounced 20% last Friday off a multi-year low of $36 per share. Enbridge traded as high as $57 in February, so there's solid upside potential. Investors who buy at the current price of $43.50 can pick up a 7.5% dividend yield.

The bottom line

Bank of Nova Scotia and Enbridge could see more volatility in the near term.

However, the two stocks appear oversold and pay attractive distributions that should be safe. If you are searching for buy-and-hold dividend picks for your RRSP, these stocks deserve to be on your radar.

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3. Investing

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