Coronavirus Bear Market: Where to Invest $5,000 Right Now?

Description

As the markets remain volatile, investors are sweating over the massive decline in their portfolio value. The **iShares S&P/TSX 60 ETF** is down 28% from record highs as the coronavirus pandemic continues to take a toll on equity markets.

However, with interest rates touching all-time lows it does not make much sense to park your investments in low-yield bonds. The equity market has created considerable wealth for long-term investors and this decline provides yet another opportunity to buy stocks at attractive valuations.

There is a good chance that markets may move lower as governments try to minimize the damage caused by the dreaded coronavirus. This means investors can look to buy defensive telecom stocks such as **Telus** (TSX:T)(NYSE:TU) and **BCE** (TSX:BCE)(NYSE:BCE) that are somewhat recession-proof and also offer an attractive dividend.

Coronavirus unlikely to lower telecom spending drastically

We know that COVID-19 first originated in China's Wuhan province. As the country went into lockdown, its retails sales slumped 20.5% year over year for the first two months of 2020. Comparatively, telecom spending fell less than 9% in this period and was one of the least affected industries.

The epicenter of the coronavirus pandemic has now shifted to Europe and is slowly making its way toward North America. So we can expect similar declines in consumer spending over the next quarter or two in Canada.

Telecom spending remains critical to the average consumer, making these stocks a safe bet in this downturn. Shares of Canada's telecom giant, Telus, are trading at $44 which is 21% below its 52-week high. This decline has increased the stock's forward dividend yield to a juicy 5.3%.

Telus stock touched a 52-week low of $37.09 before rallying 19% to its current price. The stock is trading at a forward price-to-earnings multiple of 15.3. Given its expected five-year earnings growth of

6.8%, Telus is trading at a reasonable valuation.

Telus' payout ratio for 2019 stood at 78% and it has increased dividend payments for 16 consecutive years. In the last five years, dividends have grown at an annual rate of 8.2%.

BCE has a dividend yield of 6.6%

Shares of BCE are trading at $53.76 which is 18% below its 52-week high. It has a dividend yield of 6.6% and a forward price-to-earnings multiple of 17.5. Analysts expect the company's five-year earnings to grow at an annual rate of 4%.

BCE is a telecom heavyweight that generates robust cash flows and its payout ratio for 2019 stood at 75%. The company has increased dividend payments for 11 consecutive years and its five-year dividend growth stands at 5.1%.

The upcoming transition to 5G will be a key revenue driver for Telus and BCE over the next few years. This increase in cash flow may very well be used to increase dividend payouts going forward.

Currently, if you invest a total of $5,000 in Telus and BCE, you can generate close to $300 in annual dividend payments, or $75 per quarter. The two companies are likely to increase these payouts at a healthy rate in the coming years which will result in a stable stream of passive income for long-term investors.

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