



Market Crash: 2 Top Dividend Stocks for Contrarian Income Investors

Description

The downturn in the **TSX Index** continues to serve up dividend yields that few investors would have imagined possible from the market's top dividend stocks.

At the time of writing, the Canadian stock market is down about 35% from the February 2020 high. Investors are selling everything they own in a panic to move to cash. The energy sector in particular is getting hammered, as the price of WTI oil slides to lows not seen in nearly two decades.

Companies with high debt levels and revenue streams that come from single sources should be avoided. However, the TSX Index is home to many top-quality businesses with diversified operations and strong balance sheets that should ensure they ride out the storm. This provides [contrarian](#) investors with opportunities.

Which stocks are attractive?

Reliable dividend stocks with long track records of steady payouts deserve to be on your radar. Yields now top 5% in many cases, and investors could pick up big gains when the market recovers.

Let's take a look at two top Canadian [dividend stocks](#) that appear oversold and might be interesting picks for an income portfolio.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) trades at \$58 per share compared to \$101 at this time last month. The dividend yield is now 7.3%.

Bank of Montreal paid its first dividend in 1829 and has given investors a piece of the profits every year for nearly two centuries. The bank survived the Great Depression, the crash in 1987, the dot-com bubble and the Great Recession. The odds are pretty good that Bank of Montreal will navigate through the coronavirus challenges as well.

The bank is well capitalized with a CET1 ratio of 11.4%. This means Bank of Montreal has adequate capital to ride out a downturn. The company remains very profitable, generating adjusted net income of \$1.6 billion in fiscal Q1 2020. Return on equity came in at a solid 13.5%.

The Canadian government is buying up to \$50 billion in mortgages through the Canada Mortgage and Housing Corporation (CMHC). This provides the Canadian banks with added liquidity to continue lending, while the economy works its way through the anticipated downturn.

Additional volatility could be on the way, but Bank of Montreal appears heavily oversold right now.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)), formally known as TransCanada, is a leading player in the North American energy infrastructure industry. The company has \$100 billion in assets located in Canada, the United States, and Mexico. These include oil pipelines, natural gas pipelines, gas storage facilities, and power generation businesses.

Revenue should be reliable and predictable. TC Energy gets about 95% of its comparable EBITDA from rate-regulated assets or long-term contracts. In addition, the company has a \$30 billion secured capital program through 2023 and is advancing \$20 billion projects under development.

Rising cash flow should support dividend increases of 5-7% per year. The current payout provides a yield of 6.25%. The stock is trading around \$52 per share at the time of writing compared to \$76 a few weeks ago.

TC Energy transports oil and gas, but changes in the prices of the commodities has little direct impact on revenue. The rout in the energy sector is hitting the infrastructure stocks harder than might be warranted. In fact, the sell-off appears overdone.

Small oil and gas producers with weak balance sheets are vulnerable. The major producers and infrastructure giants, however, should bounce back when market conditions stabilize.

The bottom line

Bank of Montreal and TC Energy are solid companies with strong track records of paying investors reliable dividends.

If you are searching for contrarian picks to add to a self-directed income portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2020/03/19

Author

aswalker

default watermark

default watermark