Stock Market Crash: 2 Top Dividend Stocks I'm Buying With My TFSA

Description

Stock markets are looking alarmingly weak as the virus outbreak has extended almost across the globe now. What's more concerning is, we still do not know how and where this is going to end.

As of March 18, exactly a month since markets started crashing on coronavirus, the **S&P/TSX Composite Index** has pummeled more than 35% since its record high. In my view, investing in top-quality businesses that pay regular dividends will be the best plan to tackle the market crash.

Emera

A regulated utility **Emera** (TSX:EMA) will be a safe bet for regular income-seeking investors, particularly amid a market crash. Regulated utilities generally pay stable dividends as they generate steady cash flows. Emera generates almost two-thirds of its total earnings from the US operations.

The stock yields approximately 5% at the moment and will pay dividends of $2.45 per share in 2020. The company plans to increase its dividends by 4%-5% per year through 2022, which is in-line with the industry average. In the last five years, Emera increased its dividends by a handsome 10% compounded annually.

Emera stock has fallen approximately 20% amid broader market weakness since late February. However, the recent selloff has brought the stock to a relatively fair valuation.

It would be highly advisable for investors to take shelter in utility stocks in the current market scenario, as utilities' earnings are generally stable even in case of an economic downturn, ultimately making their dividends safe.

Investors generally see utilities as boring and uninteresting because of their slow stock movements. However, it should be noted that slow-but-stable stock appreciation and regular dividends could reap handsome returns for investors over time. In the last five years, Emera returned 66%, including dividends, while the **TSX Composite** returned -14%.

Saputo

A $13 billion **Saputo** (TSX:SAP) is the top fluid milk processor and cheese manufacturer in Canada. It is one of the top 10 dairy processors globally and has 67 plants worldwide.

Saputo's geographical diversification in Canada, the U.S., Australia, and the U.K. bodes well for its earnings stability. It generates a large portion of its revenues from cheese sales in the U.S. Saputo's large-scale operations and leadership position in the dairy industry add up to an attractive investment thesis for long-term investors.

Saputo stock has corrected more than 25% since last month, in-line with the broader markets. However, that has made the stock look even more attractive from the valuation standpoint.

Saputo stock currently offers a dividend yield of 2.2%, lower than the equities at large. However, its stable payouts and a dividend increase potential make it a convincing case for income seekers. Notably, it managed to increase dividends by almost 6% compounded annually in the last five years.

Even if Saputo's earnings get hammered in a couple of quarters due to lower demand amid the virus outbreak, its market share and cost advantageous position will likely reap significant benefits for the company and its investors in the long term.

The above two stocks look attractive from the total return potential amid a market crash. It would be a lucrative opportunity, particularly for Tax-Free Savings Account (TFSA) investors, to enter at these levels.

The capital gains and dividends will be tax-free throughout the life of the investment and even at withdrawals.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMA (Emera Incorporated)
2. TSX:SAP (Saputo Inc.)

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Date
2025/07/26
Date Created
2020/03/19
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