Bear Market: 1 Blue-Chip Stock on Sale!

Description

Fears over the COVID-19 outbreak have made for volatile trading days. With tough times on the horizon for economies around the world, stocks have entered a bear market.

It can be easy to succumb to emotion and want to liquidate equity positions during these times. However, the best long-term strategy is, in fact, to buy more stocks at these deeply discounted prices.

Of course, this is assuming you choose to invest in quality blue-chip stocks that have great prospects of recovering through a bear market.

Today, we'll take a look at one blue-chip stock that Canadians can get for pennies on the dollar. With its solid track record of growth and dividends, it makes for a lucrative long-term investment opportunity.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's largest banks. It offers products and services to both personal and commercial customers across the U.S. and Canada.

As one of Canada's major banks, it is generally regarded as a premier blue-chip stock. It frequently offers highly competitive total returns relative to its peers with a great track record of performance.

TD is favoured by some investors because of the way it diversifies its risk. It isn't as exposed to the Canadian housing market as **CIBC**, while also having less exposure than a bank like **RBC** to the prairies (this protects against oil concerns in a bear market).

As a Dividend Aristocrat, TD is renowned for paying a healthy and reliable dividend. As of writing, TD is trading at $54.74 and yielding 5.77%.

TD is equipped to deal with an economic slowdown and bear market. Sure, margins will wither away as interest rates continue to fall, but given TD's immense cash flow, moderate payout ratio, and strong margins, the dividend should be safe.

Long-term outlook in a bear market

As with many blue-chip TSX stocks, TD's main attraction is the dividend.

With a yield of 5.77%, an investment of $20,000 would generate $1,154 in dividend payments over one year. Given a long-term horizon — and throw in dividend growth, compounding, and re-investing — TD is clearly a stock with great total return potential.

Beyond the yield, there's also going to be huge upside in the share price of TD. Sure, there are some headwinds in the near future. But, if you're able to take a longer-term approach, TD is resilient and will continue to grow down the line.

It already needs to go up about 40% just to get back to pre-market-crash levels. As long as you think the economy will return to those levels and continue to grow, you can lock in some huge upside on your principal investment with TD.

The bottom line

Investing in a bear market can be an emotional roller coaster. However, long-term investors can prosper with an extremely simple approach: buy cheap shares of blue-chip stocks in good shape. TD is a great example of one such stock that has a largely positive outlook in the long run. Investors can lock in an attractive dividend yield along with big growth potential by purchasing cheap shares of TD. If you're looking for a blue-chip stock to buy and hold, TD should certainly be on the shopping list.

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