Safe Dividend Stocks Are a Solid Buy for Canadian Value Investors

Description

Investors right now are looking for several things: quality, reliability, and safe dividends. There are plenty of value opportunities out there. But those beaten-up stocks have to be matched with one or more of those other characteristics.

Investors should be recession-proofing portfolios for all three facets right now. Quality is key: a safe dividend stock is much more likely to survive a recession than a start-up. Safety ties in with this but draws on classic safe-haven properties. Safe investment types include consumer staples, electricity and gas utilities, and apartment REITs.

High dividend yields are also sought after right now. Passive income has become increasingly important as the job market falters. Indeed, many investors are feeling some anxiety right now as social distancing changes the way they do business.

A top stock for safe dividends

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has been fairly steady through the coronavirus crash, if you look at its day-by-day performance. It's a relatively safe dividend stock with a reliable 45% payout ratio. New investors had a very tasty 6.4% yield to lock in at the start of the week. Then the stock bounced +9% Tuesday as relief measures lifted the TSX. That yield was down to 5.6% by midweek.

All of this shows that investors have to act fast to lock in these bigger dividend yields. This is a name to go long on, so what happens now definitely counts in the long term. Investors may want to wait. Take the rally as a positive sign of eventual recovery, but buy on further weakness. After all, this Big Five ticker is down a staggering 20% in the last four weeks.

The biggest banks will always be bailed out in the long run, however. The banks are the columns of the economy, after all, and need to be protected. The banks protect everybody's savings, shore up other sectors, and hold the keys to every mortgage holder's home. Protecting the banks is a first step in a recession.

Investors should be eyeing apparently safe dividend stocks cautiously, though. Shareholders should be prepared to hold a name, even if it slashes or even suspends its dividends. Certain blue-chip Canadian stocks, such as TD Bank, would be among the best buy-and-hold options in this event.

Earnings season could very well provide further buying opportunities. Revenues are likely to be disappointing across the board, which will likely see a fresh raft of selling. Investors should get ready to buy incrementally on weakness and own growing stakes in top names.

The next few weeks are likely to be choppy, to say the least. The markets are strongly event driven right now. However, TD Bank, among all the Big Five banks, is likely to be safest if a recession hits.

The bottom line

New investors, or those adding to their stake, have opportunities to lock in higher dividend yields right now. These swings offer steep rallies to trim and big dips to buy. Investors should take a little-by-little approach at the moment for each strategy. TSX shareholders should be prepared to build increasing positions in their favourite names.

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1. Bank Stocks
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1. coronavirus
2. dividend stock
3. Editor's Choice
4. market crash
5. recession
6. TD Bank

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