Market Crash: 2 Top Dividend Stocks to Start a Self-Directed TFSA Pension

Description

The 2020 market crash is one for the record books.

Canada's **TSX Index** fell more than 35% from the February high to the March low.

Volatility continues amid anticipation of a sharp Canadian and global economic downturn. Companies are already shedding jobs to protect cash flow, while they wait for government aid to arrive.

Buying stocks during a market crash takes courage, but a quick look at previous major corrections indicates this might be the best time to invest. In the wake of the Great Recession, the 1987 crash, and even the Great Depression, stock markets recovered.

Let's take a look at two top Canadian dividend stocks that appear oversold right now and might be attractive picks for TFSA investors.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications industry with wireline and wireless networks delivering TV, internet, and mobile services across the country.

The coronavirus lockdown has many Canadians working from home. Meetings still have to take place, and kids need to be entertained. This is driving growth in broadband data usage. Phone sales might take a hit during the downturn, but Telus could show a jump in revenue in the Q2 results on data plan upgrades.

Telus doesn't have a media division, so it isn't directly impacted by a drop in advertising revenue.

In recent years, the company spent heavily to build its Telus Health division. The group is already Canada's leading provider of digital solutions to doctors and hospitals. The coronavirus outbreak could result in strong demand for Telus Health's products and services and might spark a digital health expansion once the epidemic passes.

The company pays an attractive dividend that grows at a steady pace. Investors who buy Telus today can pick up a solid 5% yield.

The stock now trades near $23 per share compared to a split-adjusted high above $27 in February. The relatively modest drop is an indication of the company's recession-resistant revenue stream. Once the market recovery kicks into gear, Telus should regain the 2020 high.

Royal Bank of Canada

Royal Bank (TSX:RY)(NYSE:RY) is Canada's largest financial company by market capitalization. The bank is also one of the top 15 in the world and is among the few considered to be too big to fail.

The lockdowns are putting pressure on businesses, and many companies are struggling to cover expenses. Job cuts are hitting consumers hard, as Canadians deal with record levels of personal debt. Rising defaults will impact profits in the financial industry, and Royal Bank is going to feel some pain.

However, the bank has a strong capital position and is very profitable. Government programs designed to keep businesses open and help consumers pay mortgages will mitigate the damage. Bank are also receiving help through mortgage purchases. Canada Mortgage and Housing Corporation (CMHC) is buying up to $150 billion in mortgages from the banks to ensure they have the liquidity to keep lending.

Mortgage rates are not falling in step with the drop in interest rates or bond yields. This means the big banks are earning higher margins than usual on new housing loans and mortgage renewals.

Royal Bank's dividend should be safe. At the time of writing, the stock offers a 5% dividend yield.

The bottom line

Telus and Royal Bank appear cheap today and should be solid picks for a buy-and-hold TFSA pension fund.

If you have some cash available, these stocks deserve to be on your radar.

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