Market Crash: Build Wealth With These TSX Stocks

Description

A market crash can be a fearful time for investors. With high volatility and a lack of certainty, stocks tend to bounce around erratically.

However, the Foolish investor should recognise that a market crash is an opportunity to build long-term wealth. That is, there are quality stocks out there trading at extreme discounts relative to their long-term value.

Generally, bear markets last about 12 months. Now, a market crash tied to a global pandemic may offer unique challenges and could last longer than usual. That said, there's no reason to suspect that top quality blue-chip stocks won't recover at some point.

So, investors with extra cash that they can comfortably lock into the stock market can capitalise on the dirt-cheap prices available these days.

Today, we'll look at two top TSX stocks that are cheap due to the market crash and can help investors build wealth.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's major banks. Its operations are quite diverse geographically, allowing it to mitigate against various risks to which some other banks are over-exposed.

TD is a premier blue-chip stock on the TSX and has one of the best track records for growing its dividend. With the market crash, TD is trading at a deeply discounted price.

As of writing, TD is trading at $60.82 and yielding about 5.2% — a yield that dwarfs TD's five-year average yield of about 3.5%. With somewhat stable cash flow (more on that below) and a healthy balance sheet, TD's dividend should be safe and as such investors can lock in a mammoth yield today.

On the safety of the bank's cash flow, some investors are quick to point out the mortgage deferral programs being put in place. Sure, this sort of program could put TD in a liquidity pinch in the near term. However, the bank has many measures to fall back on, including government liquidity aid.

If the bank can ride out the lack of liquidity in the near-term market crash, it will eventually recoup those mortgage payments and as such the dividend yield should continue.

With the current price and yield, a Tax-Free Savings Account (TFSA) investor could turn $10,000 into over $46,000 in 20 years with this stock. This calculation assumes that dividends are reinvested and that the share price and dividend both grow at 3% annually.

Royal Bank

Royal Bank of Canada (TSX:RY)(NYSE:RY) is another of Canada's major banks, and the largest by market cap.

Like TD, Royal Bank is one of the top blue-chip stocks trading on the TSX, with a near perfect record for growing its dividend over time.

With the market crash, RBC is currently trading at $87.76 and yielding about 4.9%. RBC's five-year average yield is 3.82%, so like TD, it is currently offering an outsized yield to investors.

RBC is also participating in the mortgage deferral program, albeit has access to the same safety measures as TD. As such, investors should have confidence in the safety of RBC's yield.

Also similar to TD, RBC's yield offers investors a great chance to build wealth over time. Even while the markets continue to bounce around in the short term, investors can sit back and collect the juicy dividends.

RBC is a bit more exposed to the oil market than TD, which may be cause for concern for some investors.

Market crash strategy

Long-term investors can profit from a market crash by taking a long run approach. By searching for quality blue-chip stocks to buy cheap, investors can lock in juicy yields today as the markets continue to falter — and enjoy upside in the share price as markets recover.

If you're looking for a long-term way to build wealth through a market crash, consider adding ironclad TSX stocks like RBC and TD to your portfolio.

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Date
2025/08/24
Date Created
2020/04/07
Author
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