2 Dirt-Cheap Dividend Stocks to Buy and Hold Forever

Description

The coronavirus market crash has sent many stocks into deep-value territory. While the pain may not be over yet, I still believe that investors who've yet to do any buying should do so while the bargains remain. The bargains of today could certainly become much better tomorrow. But there's also no guarantee that they'll be sticking around.

Investors need to consider the risk of racking up substantial losses over the short-term against the risk of missing out entirely. We are seeing some of the best bargains since the Financial Crisis. Chasing a market bottom may seem like the best strategy. But that's only until you weigh the opportunity cost of missing out on a bargain that could vanish any day.

As legendary billionaire investor and writer, Howard Marks said, "If something's cheap… you should buy."

Here are three Canadian stocks that investors should consider buying now and holding for decades.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has lived through its fair share of crises. This isn't the first time the stock collapsed around 50% from peak to trough, and it's not going to be the last. Through good times and bad, the company has continued paying its dividend and hiking it when others were reducing theirs.

There are numerous headwinds facing the big banks: rock-bottom interest rates that will weigh on net interest margins (NIMs), slowing loan growth amid the credit downturn, oil and gas woes that could accelerate loan losses, and coronavirus-driven weakness in the global economy.

When a crisis happens, everything falls back to the banks. With more oil and gas exposure relative to its peers in the Big Six, BMO has taken the brunt of the damage in the recent downturn. But oil is at unsustainable lows and there is a possibility that President Trump could help bring an end to the oil price war. I'd say BMO stock has the most upside of all Canadian banks.

One day we'll return to normalcy, but if you wait 'til then, the price of admission to a blue chip like BMO will be much, much higher. Regardless of the intermediate-term headwinds, whenever a dividend aristocrat like BMO trades around or below book value, you should back up the truck on the name. So, collect the 5.7% yield and let it sit in your portfolio for years.

Enbridge

The collapse of OPEC+ and the ensuing rout in oil prices caused an unprecedented wave of panic-selling across Canadian energy stocks. Even pipeline kingpins like **Enbridge** (TSX:ENB)(NYSE:ENB), which are less sensitive to short-term fluctuations in oil prices, took a hit to the chin. Enbridge is well-positioned to thrive in an unfavourable oil price environment. But that tough to do when oil so low that many of Enbridge's clients stand to fall under tremendous pressure.

Prior to the one-two punch of coronavirus and the breakdown of OPEC+, Enbridge was staging a comeback. The company was passing regulatory hurdles, and things were starting to look bright for the shareholder-friendly company that seemed to be rolling with the punches.

Many pundits now view anything fossil fuel-related as uninvestible. However, I'd argue that a wide-moat midstream operator like Enbridge is nothing short of a steal should Saudi Arabia and Russia eventually end the vicious oil price war. With a whopping 8.6% yield that's safe (for now), I'm a massive fan of the risk/reward trade-off. I encourage investors to load up on the stock while it's at $28 — a low I believe to be unsustainable.

Stay hungry. Stay Foolish.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/26
Date Created
2020/04/10
Author
joefrenette