The 2 Best Dividend Stocks to Buy After This Market Crash

Description

Investors might be wondering which are the best dividend stocks to buy after this market crash. Picking the right dividend stocks in this uncertain environment is challenging for several reasons.

First, you have to find those stocks that are best-positioned to survive in the current economic weakness. In the U.S. and Canada, the economy is in deep freeze. Many companies are struggling to preserve cash, and there is no visibility as to when the lockdowns will be lifted.

The situation is more pronounced in Canada, where a plunge in oil prices has further affected our resource-focused economy. Analysts are expecting that many companies will announce dividend cuts or suspensions when they announce first-quarter earnings in a few weeks.

This makes it difficult to choose stocks that will provide regular income. Below, I have short-listed two stocks whose dividends are safe.

Royal Bank of Canada

Canadian banks have long been a trusted source for earning a steadily growing stream of income. They are among the best dividend stocks in North America, thanks to their balance sheet strength and careful lending practices.

Royal Bank of Canada (TSX:RY)(NYSE:RY) stock has become more attractive following the recent market crash. RBC is Canada's largest lender with a robust presence in the United States. It is also one of Canada's most diversified banks, with worldwide operations in asset management and capital markets. RBC also owns Los Angeles-based commercial and private lender **City National Bank**.

That diversification is the key to the stability to its earnings when other small and localized banks suffer in challenging market conditions.

Though RBC's current payout looks safe, investors will have to pare their expectations for future hikes, given the depth of the current downturn in the economy.

The Office of the Superintendent of Financial Institutions recently loosening the banks' capital requirements in an effort to help the economy. But it told banks to refrain from using the freed up money to increase dividends or buy back shares.

BCE Inc.

Telecom dividends are less likely to be cut in an economic crisis as these services are generally considered essential. Telecom utilities aren't too volatile when markets are undergoing a period of uncertainty, as people are less likely to consider cutting utilities in a recession. That stickiness provides stability to the cash flows of utilities, making them perfect defensive stocks.

"Given we expect telecom revenues to remain reasonably resilient as the Canadian economy potentially enters recession, we do not foresee a scenario whereby balance sheets (including liquidity) and current dividends come under pressure or into question," **RBC Dominion Securities** analyst Drew McReynolds said in a March 17 note.

Canada's largest telecom operator, **BCE Inc.** (TSX:BCE)(NYSE:BCE) is one of the best stocks to buy from this area. BCE offers diversified services, including wireless, home internet, and media operations. The company is able to add subscribers on a sustained basis and remain ahead of the competition.

Going forward, that growth in subscribers is likely to pick up speed as the telecom utility prepares to launch its fifth generation (5G) of services. BCE said last year it has signed its first 5G wireless network supplier agreement with **Nokia** of Finland. It is also ready to deliver initial 5G service in urban centres across Canada this year, as 5G smartphones come to market.

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Author
hanwar