Market Rally: Buy Stocks Now or Wait?

Description

The current market rally can be exciting for investors. Specifically, the **TSX index** appreciated more than 22% from the market bottom in March. This is a big gain compared to the typical market returns of 7% *a year*!

Notably, the market rally was possible due to a rapid flash crash of about 50% from a high.

Then comes the dilemma. Should you buy stocks now or wait?

The case to buy into this market rally

Despite the strong market rally, the TSX index is still about 17% below its high. If certain quality stocks remain attractive after the market rally, you can still buy some.

It makes even more sense to buy if these stocks offer safe dividends. That way, you can focus on the passive income that comes to you day in and day out without care whether the stocks will go down, up, or sideways in the short term.

The key reason is that you know the businesses are here to stay. In the long run, their stocks are going to rise.

If passive income is what you seek, consider buying some shares of these quality dividend stocks, including **BNS** stock and **Brookfield Infrastructure**.

Buy BNS stock in this market rally

At writing, the BNS stock price is at $54 and change per share. It can deliver total returns of about 13-17% per year over the next five years. This estimate assumes the stock achieves long-term earnings-per-share growth of about 5% per year and ends up trading at a multiple of nine to 11.5 at the end of the period.

Be assured that BNS stock's payout ratio of about 52% protects its dividend. The big Canadian bank stock offers a juicy yield of 6.6%. By investing about $7,576 in BNS stock right now, you can earn $500 of passive income a year.

Buy BIP stock in this market rally

You can also consider Brookfield Infrastructure for passive income. The dividend stock aims for a payout ratio of 60-70% of cash flow based on normal economic conditions.

BIP is a global infrastructure manager, operator, and investor. So, its cash flows will be sensitive to the boom and bust of the economy. Normally, when some parts of the world are having a bust economy, BIP will be all right because its assets are globally diversified.

However, during these unconventional times in which the whole world is battling a pandemic, even BIP's diversified cash flows will feel an impact. Therefore, it's highly likely that its payout ratio will be higher than its normal range.

Despite all that, the company is here to stay and is in a strong financial position. So, it's a good core holding for long-term investment. At writing, BIP stock offers a nice yield of 5.4%.

The case to wait for the market to dip

The market rally came not nearly as strong as the flash market crash. Moreover, market crash histories tell us that it's highly probable that we won't get a v-shaped market action.

Therefore, cautious investors should wait for the market to fall again before buying. Particularly, it makes sense to wait if you don't have a lot of cash on hand. As we all know, cash is king in a falling market.

The Foolish bottom line

If you need income now, you might opt to buy quality and undervalued stocks like Scotiabank and BIP stock.

However, the coronavirus situation isn't fully under control yet, as global cases and cases in North America are still increasing in a linear fashion.

So, if you haven't already bought or nibbled on quality stocks during the flash market crash, and if you don't need income now, it'd be a cautious move to hold off buying in this market rally.

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