Market Rally: How to Invest $6,000 Right Now

Description

We've seen a market rally in recent days that has brought prices back to early March levels. If you're a long-term investor looking to capitalize on the rally, now is a good time to look for stocks.

In particular, blue-chip dividend stocks are great buys in the early stages of a market rally. Not only do they offer solid upside in the baseline share price, but they'll also pay you a hefty dividend while you hold the stock.

Over the long run, blue-chip dividend stocks tend to offer the best total returns when compared to defensive stocks or even speculative growth stocks. So, if you have cash on hand during this market rally, that might be where your attention should head.

Today, we'll look at two dividend heavyweights trading on the TSX that you could invest an extra $6,000 in today.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's major banks and the second largest by market cap. It serves both individual and commercial customers across North America through a wide array of offerings.

This stock has been dragged down with the markets, but has been climbing back up in recent sessions with a market rally. It's now trading at $54.69 as of writing, which is good for a 5.75% yield.

Right now, TD's P/E ratio and dividend yield are both much more attractive than their trailing counterparts. So, it seems there's decent value to be had in purchasing TD stock.

Of course, banks are facing some headwinds in the near term with low interest rates and mortgage deferrals. However, the government has pledged to help prop up liquidity at the major banks like TD.

Plus, buying a stock like TD in a market rally is a long-term play to begin with. The true profit potential is realized when looking at the investment over a long horizon.

For a TFSA investor with $6,000 to invest, TD stock could tun that sum into over $30,000 in just 20 years. This is assuming a modest growth rate on both the stock price and dividend and that the dividends are re-invested in a TFSA.

Manulife

Manulife Financial (TSX:MFC)(NYSE:MFC) is another Canadian financial institution operating mostly in North America. While it's mainly focused on insurance, it also offers mutual funds and group retirement plans.

Manulife has taken a steep tumble, as markets fell all throughout March. So, it's currently trading at $16.54, even with the recent market rally. Keep in mind that it was trading at $26.59 as recently as February 20.

At the current levels, Manulife is yielding 6.77%, which, like with TD, is much larger than its average trailing yield. So, it seems once again there might be long-term value available here.

Since Manulife isn't as big and diverse (both geographically and by cash flow streams) as a bank like TD, it might be viewed to have more risk and as such trades at a cheaper P/E premium.

For a TFSA investor who has $6,000 on hand, this stock can turn that sum into over $36,000 in about 20 years. Once again, this assumes a modest growth rate on price and yield and tax-free reinvesting.

Market rally strategy

Picking up cheap shares of blue-chip dividend stocks is always a winning play, and during a market rally is no different.

TD and Manulife are two options worth checking out for investors with cash on hand. They both offer outsized yields with proven track records for growth.

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jagseguin