



Market Rally: 2 High-Yield Dividend Stocks I Just Bought

Description

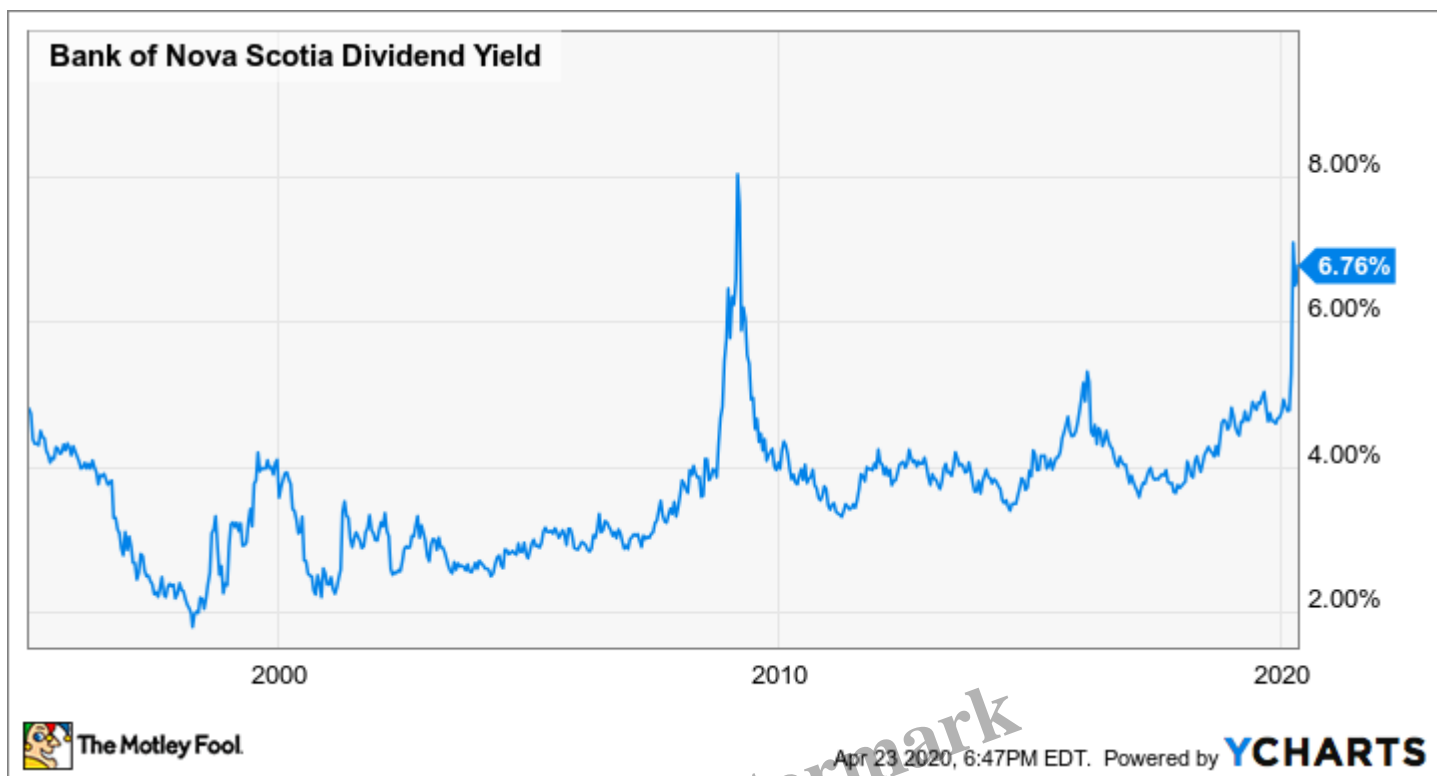
The market rallied from a low point after a flash market crash. There are still lots of bargains up for grabs. Among them are [high-yield dividend stocks](#) like **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) stock and **Brookfield Property** ([TSX:BPY.UN](#))(NASDAQ:BPY) that are too cheap to pass up.

Market rally: Why buy BNS stock?

The market rally might have investors feeling bad that they missed BNS stock's bottom of \$46 per share last month. However, it was only at that price for a split second. Investors would have been super lucky to pick up the stock at \$48 even.

Having a long-term view is important in investing. Five years from now, you won't care if you bought BNS stock at \$46, \$48, or \$53, which is right about where it's trading at now. You will only care that you took action, bought the dividend stock, locked in a high yield, and participated in the (future) market rally.

The international bank yields 6.8%, which is high compared to its long dividend yield history shown below.



BNS Dividend Yield data by YCharts.

Scotiabank focuses on operating in Canada, the U.S., and the Pacific Alliance countries, which, in total, contribute to about 87% of its earnings. Unfortunately, geographic diversification did not help reduce risk from the COVID-19 impact because the virus has infected all those countries.

However, you should trust that BNS stock will participate in the long-term market rally that will inevitably come when economic conditions in these regions improve. Meanwhile, you can earn a hefty income. The BNS stock dividend is protected by a payout ratio of about 52% this year.

Market rally: Why buy Brookfield Property?

Brookfield Property hardly participated in the market rally. In fact, the stock's rally dissipated rather quickly. The pressured stock is likely going to receive a big blow on its real estate rental income this year. But this is not specific to BPY.

Particularly, [Brookfield Property](#) has substantial exposure to more cyclical types of real estate assets — retail and office. Last year, it generated about 40% of its profits from its core retail portfolio and about 35% from its core office assets.

Unfortunately, many malls across the U.S. are temporarily closed. Often, for brick-and-mortar retailers, only grocery stores that sell necessities are open. Additionally, many people are now working from home, not at the office.

As a result, as the world continues to fight COVID-19, Brookfield Property is faced with lower rental income, as some tenants are forced to pay rent later or even cannot pay at all due to store closures.

Buyers of Brookfield Property shares need to have a long-term mindset. It has the liquidity and balance sheet to weather the economic downturn.

However, if the COVID-19 situation drags on, in the worst-case scenario, BPY may have to substantially reduce its cash distribution.

That said, BPY's diversified real estate portfolio is the best in its class, and its management team is top notch. Therefore, it would eventually restore the dividend if it's forced to cut it.

At writing, BPY offers a whopping yield of 15.9%, as the stock's market cap has been cut in half. This means BPY stock can double from current levels when the economy normalizes.

An average remaining lease term of over eight years and a high occupancy of 93% for BPY's office portfolio should help put a cap on BPY's potential cash-distribution reduction.

The Foolish bottom line

BNS stock and Brookfield Property should provide excellent returns when the market rallies. The COVID-19 situation is very dynamic, and no one knows how long lockdowns are going to last.

So, investors interested in the businesses should consider averaging into their stock positions with the intention of a long-term investment that could last three to five years, if not longer. With a long investment horizon, investors will set themselves up to capitalize on the eventual valuation expansion of the quality businesses.

CATEGORY

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2. Dividend Stocks
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1. Editor's Choice

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1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:BPY.UN (Brookfield Property Partners)

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