A Once-in-a-Decade Opportunity to Buy This Dividend Stock for Cheap!

Description

Market crashes happen, and they happen when you least expect them. Amid one of the strongest economies in recent memory, investors started paying up for stocks they thought would be riding on the back of a bull market that would keep on roaring. Then the coronavirus (COVID-19) pandemic gripped the market, triggering one of the sharpest market crashes ever.

Today, we're caught in no man's land, smack in the middle of the range between the top and the bottom of the crash. Many bullish analysts see the stock market posting a full V-shaped recovery by year-end, as investors look past the gloomy present and towards what could be a brighter future.

Still, the bears are calling for a retest of March lows. In any case, you should be prepared for whatever this market throws at you next. That means having ample liquidity to not only finance your lifestyle in the event of a disruption to your employment but enough cash to buy stocks should they become much cheaper over the coming weeks.

At the same time, you should scoop up the bargains if you see them today, so you don't run the risk of missing out on what could be a once-in-a-decade opportunity to buy shares on the cheap!

A cheap dividend stock that's easy to value in uncertain times

Consider **Fortis** (TSX:FTS)(NYSE:FTS), a cheap defensive bond proxy that'll hold its own if the bear case pans out.

Fortis is seen by many youngsters as a boring dividend stock that conservative investors like retirees flock to in uncertain times. The stock sports an underwhelming 3.8% dividend yield in a beaten-up market where the yield bar has been raised. But with highly regulated cash flows, the company is one of few that can guarantee 5-6% in dividend raises every year, regardless of what happens with COVID-19.

Companies are ready to cut their dividends, but Fortis won't be one of them.

The stock trades at 10.9 times EV/EBITDA, which is lower than the stock's five-year historical average of 11.9. Shares of Fortis may not be "cheap" relative to most other bargains out there today, but they're close to the cheapest they'll get given Fortis stock tends to hold its own far better than your average stock, even during unprecedented crises.

Fortis gets upgraded

Fortis doesn't appear to be a bargain, but given the uncertainties, it is. That's a significant reason why TD Securities upgraded Fortis to "action list buy," with a price target of $62, implying a 21% total return from today's levels.

Sure, you won't land a double with the name, but if you acknowledge the bear case, Fortis, at $53, is nothing short of a steal.

Foolish takeaway

In an era of rock-bottom interest rates, investors are going to need to gravitate away from bonds and toward more rewarding bond proxies like Fortis.

At this juncture, Fortis is cheap on the coronavirus crash and could stand to enjoy multiple expansion, as the price to admission to high-quality bond proxies goes up when the market normalizes, and the hunt for yield becomes tough again.

Stay hungry. Stay Foolish.

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3. Investing

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