Stock Market Rally: 3 Dividend Stocks That Are STILL Cheap!

Description

Lately, stocks have been getting pricier than they were in March. Investors are expecting a full economic recovery from COVID-19, and are pricing stocks accordingly. It's a foregone conclusion that earnings and GDP will plummet in Q1 and Q2.

In North America, COVID-19 lockdown measures were introduced in March and appear poised to continue into May. It appears that investors expect a rapid bounce back in Q3, as stocks are inching toward their pre-crisis levels.

Nevertheless, some bargains are still available. If you're willing to look into stocks whose fundamentals are genuinely being harmed by COVID-19 lockdowns, you could find some long-term value. These plays aren't for the faint of heart. However, they stand to bounce back dramatically if the Q3 rebound materializes.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's Big Six banks. It has grown faster than its peers over the past decade thanks to its U.S. retail business. TD Bank is the ninth-largest bank in the United States, a formidable foreign presence for a Canadian bank. However, it's small enough to give TD room to grow south of the Border.

In the past, TD's U.S. business was an engine of growth. Now, it could be the company's saving grace for a different reason. Currently, all Canadian banks have significant exposure to oil and gas loans. Many of those are likely to go into default if oil remains low, especially if it remains so low that oil companies can't turn profits.

With about 30% of its revenue coming from the U.S., TD has a cushion against weakness in the domestic oil & gas loans. However, it is priced similarly to its peers, which have more exposure to said loans. That could make TD a bargain, especially compared to similar stocks.

Enbridge

If you're looking for a riskier dip buy, **Enbridge Inc** (TSX:ENB)(NYSE:ENB) could fit the bill. As an upstream energy company, it transports oil & gas all around North America, typically over a million barrels worth a day.

Note that I said "North America," not just Canada. The fact that Enbridge ships so much oil to the U.S. is actually a bit of a problem right now, because the U.S. has been accumulating more oil than it needs. Demand for oil has cratered, and U.S. sourced oil has been piling up unused in supply tanks, which briefly led to the price of WTI going to $-37!

Clearly, a country that has more oil than it needs isn't going to import much. Perhaps some individual U.S. buyers will still buy Canadian crude, but exports to the country overall are going to tank.

This isn't good news for Enbridge at all. However, it's not a fatal situation, and the company should bounce back when the economy re-opens. In the meantime, you can get a whopping 7.87% yield on ENB shares.

Canadian Tire

The **Canadian Tire Corp** (TSX:CTC.A) is a Canadian retail company that specializes in automotive, sports, hardware and clothing products. The "clothing" part of its business is relatively new: Canadian Tire branched out into that industry by buying Marks in 2001 and Helly Hansen in 2018.

CTC.A shares have been beaten down badly in the COVID-19 market crash. Down 36% from February 20th, they've fallen more than the average **TSX** stock.

There are a few reasons for this. The first is that COVID-19 lockdowns are hurting sales at all retail businesses. Two, Canadian Tire sells a lot of products for hands-on industries like energy and construction — and those aren't doing well right now. Third, the company operates hundreds of gas stations, and gas sales have been weak lately.

What we've got here is a company that has taken a phenomenal beating from COVID-19 — far worse than the average retailer. Because of that, its stock is now a bargain, trading at 7.6 times earnings.

Canadian Tire will eventually bounce back, so buying the stock right now could pay off long term.

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1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
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