Where to Invest $5,000 Right Now

Description

When the markets are strong, you can invest just about anywhere and see your investment rise in value. Today, it's a lot more difficult. The COVID-19 pandemic is a big question mark, and many businesses may not survive. A good strategy is looking at which companies still have demand for their products and services now and that aren't likely to have problems, even if there isn't an end to the pandemic anytime soon. Below are two stocks that fit that criteria and that could be great options for investors who have cash available to invest today.

Dollarama (TSX:DOL) is down 4% this year and is one of the safer retailers to invest in right now. In a statement dated May 1, 2020, Dollarama said that none of its +1,200 stores across the country have been closed due to COVID-19. The company has put into place social-distancing measures and altered the way it operates, but it still offers customers a convenient place to buy their day-to-day essentials. And now, with a recession looming and consumers having limited income, the popular dollar store chain could see increased demand for its products.

We won't see just how good or bad things have been until the company releases its upcoming quarterly report. However, the company can afford to absorb a hit to its bottom line. In each of the company's last 10 quarterly results, Dollarama's profit margin has been above 12%. It's also reported positive free cash flow in all but one of those periods as well. As investors look for safer options to invest in, Dollarama could potentially have a great year in 2020, even if that isn't happening just yet. Investors can also earn a modest 0.4% dividend yield from owning shares of the company as well.

Empire (TSX:EMP.A) owns grocery store chain Sobeys, which has over 1,500 locations throughout the country. On April 15, the company posted an update which indicated that sales remain stable. Although consumers aren't stockpiling essentials the way they were in March, what's important is that demand is showing some consistency. This means that for the stock, there shouldn't be a whole lot of volatility during the pandemic. Year to date, Empire stock is up around 2%. It's not great, but at least it's not negative like the TSX and many other stocks.

Besides stability, another reason this is a great stock to invest in right now is for its dividend. Currently, Empire pays shareholders $0.12 every quarter. That means that on an annual basis, investors can earn about 1.5% in dividend income. There are higher-yielding stocks out there, but there's no guarantee that they'll last. A low dividend can be a much better option than a high payout that'll end up suspended or cut. And, unfortunately, that hasn't been uncommon this year. Many companies are conserving cash any way that they can, and stopping dividend payments can often be the easiest way to do that.

Empire has posted a profit in nine of its past 10 quarters, and its profit margin is normally between 1% and 2%. And while that's a bit low, the stock should still be okay, as sales shouldn't see large declines. After all, grocery items are more essential than purchases at a dollar store.

Both Dollarama and Empire should perform well during the pandemic. They're great long-term investments that are also safe to hold right now.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. TSX:DOL (Dollarama Inc.)
2. TSX:EMP.A (Empire Company Limited)

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djagielski