2 Wonderful TSX Stocks That Are Too Cheap to Ignore

Description

The TSX stock market rallied from the market crash bottom. However, it's still 12% below the high. This gives investors the opportunity to buy these wonderful TSX stocks that are still trading at very cheap levels.

They also pay some nice dividend income for investors to ride through the turbulent markets.

Big dividend from quality real estate

Brookfield Property Partners (TSX:BPY.UN)(NASDAQ:BPY) has quality real estate assets. The company reported stable results for the first quarter, in which the company's funds from operations (FFO) of US$309 million were essentially flat year over year (YOY).

Due to the current economic slowdown, BPY's Q1 realized capital gains were lower YOY. However, management is optimistic about achieving its planned level of asset sales later this year and into early next year.

Moreover, in the earnings call, management stated that BPY has ample liquidity to fill in for any short-term disruptions in its cash flows. At the end of the quarter, it had about US$7.2 billion of undrawn credit lines and cash on hand. In comparison, the company paid out less than 18% of that amount in dividends in the trailing 12 months.

Therefore, BPY is maintaining its quarterly cash distribution that's payable in June. The US$0.3325-per-unit cash distribution equates to an annualized payout of 14.26% at writing.

That said, its portfolio is subject to economic cyclicality and hasn't been immune to COVID-19 impacts. Particularly, the company's retail, hospitality, and student housing assets have been the hardest hit in this economic downturn. A bigger impact is expected to come in Q2 and likely into Q3.

Big dividend from a Canadian big bank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is another TSX stock that offers a big dividend. Over the last few years, the bank strengthened its position in the Americas with a diversified product mix.

The bank reported awesome net income of $2.3 billion in the fiscal first quarter. This translated to adjusted earnings per share growth of 5% year over year, helped by 5% revenue growth and positive operating leverage. Return on equity of 13.9% was in line with historical levels.

The concern about COVID-19's impact on the economy is what's primarily pressuring the quality bank as well as the rest of the banking sector. We shall see the real impact on the bank in subsequent quarters.

Meanwhile, BNS stock's dividend yield of 6.7% is very appealing. It appears to be safe with a payout ratio of about 59% of this year's estimated earnings.

The boosted yield makes BNS stock a wonderful TSX stock to consider for long-term holding.

The Foolish takeaway

There are risks in every investment. Investors should beware that there's heightened risk in investing in BPY and BNS stocks in the near term. Over the next two quarters, you can expect increased volatility. However, given their quality businesses, permanent capital loss is highly unlikely for long-term investors.

For BPY, the re-opening of malls in the U.S. could be too soon, and there could be another shutdown, leading to a potential cut in BPY's big dividend.

Another scenario is that the COVID-19 situation will have subsided by the end of 2020 or early 2021. And BPY stock will double from current levels by the end of 2021 with the massive cash distribution sustained throughout.

BNS stock could deliver disappointing results due to the much slower economic activity from COVID-19 impacts.

No matter what scenario plays out, BPY and BNS stocks are still too cheap to ignore for investors with an investment horizon of at least three to five years. The risk-adjusted returns are just too enticing at these levels. Here are other great stocks you'll want to consider today.

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