Value Investors: 2 Cheap Dividend Stocks With 50% Upside Potential

Description

The stock market rally off the March low erased many of the deals in the TSX Index. Value investors, however, can still find cheap stocks that pay attractive dividends and still offer decent upside potential.

Let's take a look at two oversold stocks that deserve to be on your TFSA or RRSP radar right now.

Bank of Nova Scotia

The Canadian banks fell hard in recent months and face some challenging times heading into 2021.

Defaults on credit card bills and mortgages will likely rise once rate relief and deferrals expire. Investors will get a sense of how bad the banks think things might be when the provisions for credit losses come out during the fiscal Q2 2020 earnings reports.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades at close to $50 per share right now compared to the 12-month high above $76. At this level, investors can pick up a 7% dividend yield.

Investors will want to keep an eye on the international division, which contributes roughly 30% of adjusted net income. The bulk of the assets are located in the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia.

Pandemic reports indicate the coronavirus arrived later in Latin America than in Canada, and the economic impact might hit Bank of Nova Scotia's international results more in the back half of the year. As such, ongoing volatility in the stock price is expected through the end of 2020.

Despite the anticipated drop in revenue and profits, the dividend should be safe.

Bank of Nova Scotia entered the crisis with a strong capital position and has the means to ride out the storm. In the event the IMF is correct, and we see a strong global economic rebound in 2021, the share price should move higher by the end of next year.

CNRL

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is a major player in the Canadian energy sector with a diversified resource base. The assets include offshore oil, oil sands, conventional heavy oil, light oil, gas liquids, and natural gas production sites. CNRL also has key energy infrastructure assets and a large portfolio of untapped land across western Canada.

Energy stocks have enjoyed a nice bounced off the March low, but they were also beaten up quite badly. CNRL currently trades close to $25 per share. It bottomed out at $11 in March and traded around $40 in February.

The company says it has the balance sheet strength to ride out the downturn and recently vowed to keep paying the dividend. At the current share price, investors pick up a 6.7% yield.

CNRL has the flexibility to move capital to its highest-margin opportunities depending on shifts in market prices. Natural gas, for example, is holding up well, and CNRL is Canada's largest independent natural gas producer.

The company has a breakeven price of roughly US$30 per barrel of oil. WTI oil briefly traded negative last month but is back to US$33 per barrel on falling supply and growing demand from countries that are opening their economies.

The bottom line

Bank of Nova Scotia and CNRL are top-quality companies that still appear oversold. Investors who buy today get paid above-average dividend yields while they wait out the recession.

Once the economic recovery kicks into gear, these stocks should move higher. In fact, it wouldn't be a surprise to see a gain of 50% from the current stock prices over the next two or three years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date
2025/08/18
Date Created
2020/05/25
Author
aswalker