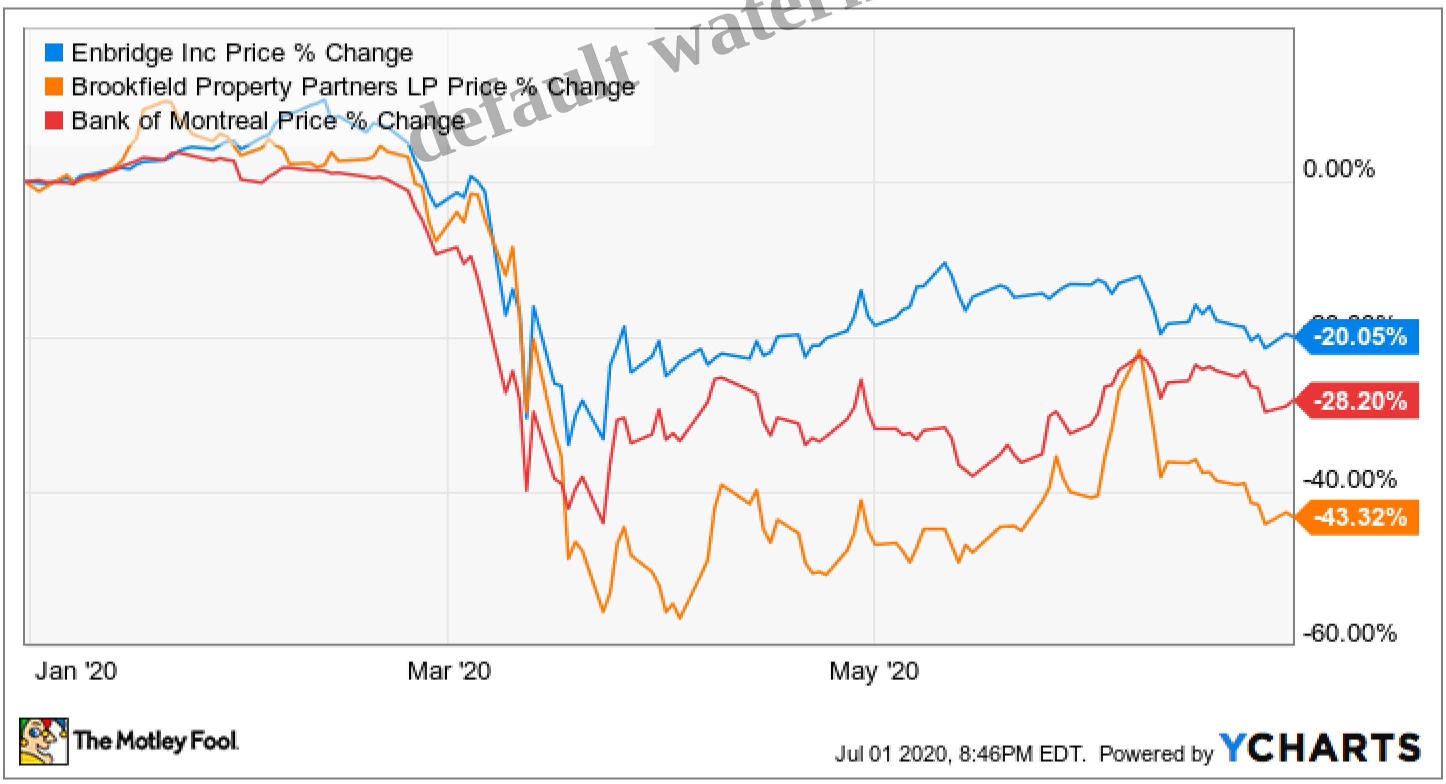
3 Best Dividend Stocks for July 2020

Description

Here are three best dividend stocks to buy in July for juicy passive income. What's wonderful about buying these dividend stocks is that investors can get respectable returns from their dividends without having to rely on selling shares.



Data by YCharts. The year-to-date price action of three best TSX dividend stocks to buy in July 2020. They include Enbridge, Brookfield Property, and Bank of Montreal.

Enbridge stock

Lower energy prices and lower energy demand due to economic disruptions are dragging down **Enbridge** (TSX:ENB)(NYSE:ENB) stock, which is down roughly 20% year to date.

Notably, ENB stock is a Canadian Dividend Aristocrat that has increased its dividends for 24 consecutive years and paid dividends for more than 60 years.

In the first quarter, Enbridge generated distribution cash flow of $2.7 billion, or $1.34 per share, which translates to a payout ratio of about 60% for the quarter.

Notably, management reiterated its 2020 distributable cash flow guidance that suggests a 2020 payout ratio of about 70%. With a stable outlook and a de-levered balance sheet, the energy infrastructure leader is well-positioned to maintain its generous dividend.

Thanks to a depressed stock price, Enbridge provides a juicy yield of 7.9%.

Brookfield Property

Retail real estate is facing unprecedented challenges this year due to the temporary closing of big parts of the economy to combat COVID-19.

Consequently, some real estate stocks with large retail exposure responded by reducing their dividends substantially.

Based on **Brookfield Property Partners'** (TSX:BPY.UN)(NASDAQ:BPY) 2019 funds from operations, it has roughly 40% of exposure to its core retail properties.

BPY is better positioned than many of its peers and has therefore thus far maintained its cash distribution. Because of the 43% year-to-date selloff in BPY stock and its tendency to increase its cash distribution, it now offers a super high yield of 13%!

The company has ample liquidity of US$7.2 billion, including US$1.8 billion of cash on hand. Last year, it paid less than US$1.3 billion in dividends. Moreover, the stock repurchased $101 million worth of shares in Q1 at substantial discounts from its book value. Therefore, it doesn't have to borrow money to pay its dividend.

However, new waves of COVID-19 can cause another shutdown in the economy, which would weigh more on BPY in the near term.

It's therefore best to view BPY as a multi-year total-returns investment. If it were to cut its dividend by half, the effective yield would be about 6.5%. Additionally, the stock has about 70% upside potential based on a price target that's 60% of its book value.

BMO stock

The COVID-19 disruptions are very real, and they're impacting certain businesses more than others. As a big Canadian bank, **Bank of Montreal's** (TSX:BMO)(NYSE:BMO) performance is directly related to the health of the economy.

The big bank anticipates a rise in bad loans with year-to-date provisions of credit losses 4.7 times that of last year's in the same period. This translated to adjusted earnings-per-share dropping 25%.

The COVID-19 situation could get worse before it gets better. It could therefore take several years before things normalize.

BMO stock offers a 5.9% yield. Moreover, the stock can potentially appreciate about 50% over the next three to five years.

The Foolish takeaway

Investors can secure juicy yields of 6-8% from these three best dividend stocks because of COVID-19 impacts. Considerable price appreciation from valuation expansion should lead to extraordinary returns for multi-year investments.

Because of their big dividends, investors don't necessarily have to sell shares to enjoy the fruits of investments.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:BPY.UN (Brookfield Property Partners)
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