2020 Market Crash: 2 Oversold Stocks to Buy Now and Hold for 20 Years

Description

The rebound off the March market crash has already pushed the share prices of many stocks back to previous levels, but some top **TSX Index** stocks still appear oversold.

Let's take a look at two cheap dividend stocks that might be interesting picks for a self-directed TFSA or RRSP portfolio today.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank by market capitalization. The company is somewhat unique compared to its peers due to the large international operations focused on Latin America.

Bank of Nova Scotia has spent billions of dollars over the past decade on acquisitions in Mexico, Peru, Colombia, and Chile. The four countries form the heart of the Pacific Alliance trade bloc and are home to more than 225 million people. As the middle class expands, demand for loans and investment products should grow. Banking penetration is very low compared to Canada, so there is significant opportunity to increase revenue in the region.

The international operations contribute about a third of Bank of Nova Scotia's current earnings.

Investors fear loan losses could get ugly if the pandemic worsens. Persistent unemployment numbers through 2021 are certainly possible. However, Bank of Nova Scotia has the capital to ride out the downturn, and the dividend should be safe.

The stock trades near $55 right now compared to $74 in February, so there is decent upside potential. In the meantime, investors can pick up a solid 6.5% dividend yield.

Buying Bank of Nova Scotia on dips tends to pay off over the long haul. A $10,000 investment in the stock 20 years ago would be worth more than $60,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) owns pipelines, natural gas utilities, and renewable energy facilities.

Throughput on the oil pipelines dropped in recent months due to reduced demand by refineries, hitting revenue on that part of the business. Gasoline and diesel demand should bounce back quickly as the economy reopens, while jet fuel consumption will take up to three years to recover.

Enbridge's power and utility businesses continue to perform well. Distributable cash flow (DCF) for Q2 came in higher than the same period last year, and Enbridge re-affirmed its DCF guidance of $4.50-$4.80 per share for 2020.

The company has a solid balance sheet with $14 billion in available liquidity. Enbridge's $11 billion secured capital program supports ongoing revenue and cash flow expansion. DCF should grow 5-7% per year through 2022.

The stock trades near $43 compared to $57 in February. Enbridge's dividend provides a solid 7.5% yield and should be very safe.

A $10,000 investment in Enbridge stock 20 years ago would be worth more than $100,000 today with the dividends reinvested.

The pipeline industry faces challenges to get new major projects built. This is a headwind to growth, but Enbridge has ample smaller growth opportunities within the network. It is also large enough to make strategic acquisitions.

The bottom line

Bank of Nova Scotia and Enbridge pay attractive dividends that should continue to grow once the economy stabilizes. The shares appear oversold today, and investors get paid well to wait for the recovery. Five years from now, these stocks should trade at much higher prices.

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Date
2025/08/27
Date Created
2020/07/29
Author
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