Market Crash: 2 Top Dividend Stocks to Buy on the Dip

Description

The **S&P/TSX Composite Index** shed 130 points on July 31. Last week, I'd discussed the fears of a second market crash in 2020. North American stock valuations have rebounded, but the broader economy is in turmoil. Meanwhile, the price of gold, silver, and bitcoin have surged. Today, I want to look at two dividend stocks that will likely be impacted by ongoing events. Rather than turn our back on them, I want to discuss why they are still worth investing in right now.

Market crash: How insurance companies are being impacted in this crisis

A market crash is not the chief concern for the sector I want to look at today. Canada's top insurers, which include **Sun Life Financial** (TSX:SLF)(NYSE:SLF) and **Manulife Financial** (TSX:MFC)(NYSE:MFC), are expected to take a significant earnings hit due to the impact of the COVID-19 pandemic. Insurers will be punished by historically low interest rates and slumping sales in this environment.

Conversely, insurers may see some positive traction due to the performance of capital markets in the late spring and early summer. Sun Life and Manulife both boast strong wealth management divisions that will have seen a boost during this period. However, that may not be enough to stave off negativity for the rest of 2020.

Why I'm still targeting these two top dividend stocks

Insurers will have to swallow a bitter pill in 2020 and early 2021, but that does not mean investors should shy away from these quality equities. Shares of Sun Life have dropped 9.9% in 2020 so far. It has managed to stage a solid rebound from its losses in the market crash earlier this year. Moreover, the company possesses an excellent balance sheet and an impressive track record as a dividend payer.

In Q1 2020, Sun Life delivered underlying net income of $770 million compared to $717 million in the prior year. Meanwhile, wealth sales grew to $5.6 billion – up a staggering $2.8 billion from Q1 2019 powered by higher retained sales in the large case market in Group Retirement Services.

Sun Life stock last had a favourable price-to-earnings ratio of 12 and a price-to-book value of 1.4. Better yet, it offers a quarterly dividend of $0.55 per share. This represents a solid 4.2% yield.

This dividend stock is still reeling from the previous market crash

Manulife stock has plunged 29% in 2020 as of close on July 31. Its story struck a similar tune in the first quarter of 2020. Wealth Asset Management inflows came in at $3.2 billion compared to outflows of $1.3 billion in Q2 2019. Meanwhile, its new business generation in insurance was still robust.

Investors should be keeping a close eye on Manulife right now. Shares currently have a P/E ratio of 7.7 and a P/B value of 0.7, putting Manulife stock in very attractive value territory. The stock last paid out a quarterly dividend of $0.28 per share, representing a strong 6.2% yield.

Manulife has failed to recover from the previous market crash. This should not dissuade investors from buying-the-dip in this undervalued dividend beast.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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