3 Canadian Dividend Rock Stars to Buy and Hold

Description

Screening stocks for reliable dividends right now reveals a troubling pattern. The outlook for the majority of such stocks is fairly dismal. In fact, the disconnect between growth stocks and decently valued income stocks has never looked wider. But the fact is that the markets are being viewed through the lens of the pandemic.

With a recession to reckon with, it's a rare sector that doesn't have a murky outlook right now. But the situation facing the Canadian economy, while dire, is finite in nature. With some of the top pharma outfits in the world on the job, a vaccine is likely to be in place by the spring. That bodes well for the economy — and for the markets.

The stock market is not crashing — yet

Stocks such as **Scotiabank**, **Manulife Financial** (TSX:MFC)(NYSE:MFC), and **Transcontinental** (TSX:TCL.A) stand out at the moment. These are stocks that truly qualify for the title of dividend rock star. But what really marks these stocks out for greatness is their combination of good value for money.

These names have a lot of comeback potential. While the recovery has yet to happen, these names will continue to exhibit good market ratios. Consider the yields, too. Trading below book price, Manulife's dividend of 5.8% is suitably rich. Scotiabank, itself trading at book value, has an even better dividend yield of 6.5%. Even Transcontinental's yield is impressive at 5.9%.

Manulife could see more of a pullback before the pandemic is officially over. One reason for this is that the insurance sector has yet to settle. The fallout from the pandemic in terms of insurance claims is incalculable. An inability for insurance to cater to commercial needs could force governments to enact financial backstops. This would see names like Manulife suffer further.

Lock in rich yields, but get ready to buy more shares

The long-term outlook for the insurance sector is arguably a lot more solid. Consider the pre-pandemic status that this industry commanded in the financials space. This could naturally fall back into place upon an eventual recovery. How long that takes, though, is anybody's guess. Bulls eyeing a swift V-shaped recovery could consider building positions in insurers while they are cheap.

Transcontinental, meanwhile, has managed to hold on to its wide economic moat, even as supply chains and consumer demand took a thrashing. Investors have been suitably pleased, pushing this stock up 10% in the past month. Overall, the stock is just about positive year on year. In 2020, remaining flat is an achievement in itself. Who would have thought that printing and packaging could be so resilient?

These three stocks are different enough that they could be held in a single stock portfolio. But there is risk in backing up the truck in the current economic environment. Canadian investors should consider buying smaller packets of shares as the market deteriorates. While a full-blown market crash is not with us just yet, the potential for a wider downturn hangs over the rest of the year.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:TCL.A (Transcontinental Inc.)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/21
Date Created
2020/09/08
Author
vhetherington