3 Safe and Cheap Dividend Stocks for September 2020

Description

It's September, and market volatility is rearing its ugly head once again.

After several months of solid gains, stocks tanked last week, led by the tech sector. These moves underscored the difficulty of finding safe stocks in today's market. With tech overheated, and "traditional" industries being harmed by COVID, nothing is certain.

That doesn't mean there aren't relatively safe stocks out there though. Some industries have fared better than others in the COVID-19 era. While airlines and cruise lines are still facing serious trouble, many other industries are beginning to walk off their COVID-19 losses. Among these, you can find reasonably safe returns and high dividend income. In this article, I'll explore three stocks that could be good buys in September 2020.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a utility with a focus on renewable energy. It's headquartered in Canada but operates in the U.S. — mainly the mid-western states. Its business has grown admirably over the years, going from $97 million in earnings in 2016 to $530 million in 2019. As a result of the strong growth in its business, Algonquin stock has beaten the market over the past decade, rising an impressive 434%.

In the second quarter, Algonquin did well, despite the COVID-19 headwinds. Revenue was flat year over year, while earnings popped 81%. Adjusted earnings were down 7%. That's better than most stocks fared in the second quarter. Still, the stock remains down for the year, which is part of the reason it now has a 4.6% yield.

Royal Bank

Royal Bank of Canada (TSX:RY)(NYSE:RY) is probably the safest Canadian bank in September. In the third quarter, its earnings were down a mere 2% year over year, signaling that the bank is close to walking off its COVID-19 damage.

Most Canadian banks did better in the third quarter than in the second. But only RY got close to reaching the earnings level it was at in the third quarter of last year. The markets seem to have acknowledged this, sending RY's stock up significantly since March. However, the stock is still fairly cheap, with a 12.4 P/E ratio as of this writing. It also sports a juicy 4.5% dividend yield.

Northwest Healthcare Properties

Northwest Healthcare Properties REIT (TSX:NWH.UN) is a real estate company that has fared surprisingly well in the COVID-19 era. In general, REITs fared poorly in the aftermath of the pandemic, as cash-strapped consumers struggled to pay rent. However, in its most recent quarter, NWH either collected or formally deferred 97% of its revenue. By contrast, some other REITs saw delinquencies as high as 50%.

The reason for this higher-than-average collection rate has to do with NWH's niche. As a healthcare REIT, its tenants are directly or indirectly backed by government money. As a result, their ability to pay is high. That fact helped tremendously during the COVID-19 lockdowns, but it's an advantage in good times as well as bad.

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