



3 High-Yield Dividend Champions on Sale in September!

Description

In September, we're seeing market volatility come back with a vengeance. After months of steady gains, the S&P 500 dipped last week — its first major selloff since the spring. The decline was mostly led by tech stocks, which had gotten overheated thanks to a summer of strong gains.

Now, perhaps, the value resides elsewhere.

Following the COVID-19 market crash, investors poured money into stocks that were seen as "COVID-proof" — especially tech. That may have made sense for a while. But today, "traditional" industries are beginning to walk off their COVID-19 losses ... while their shares remain down for the count. As a result, these traditional stocks — many of which pay dividends — look undervalued.

With that in mind, here are three high-yield dividend champions on sale in September.

Canadian Tire

Canadian Tire ([TSX:CTC.A](#)) is one stock that got [beaten down badly](#) in the COVID-19 market crash. It fell 52% from top to bottom — worse than the TSX average. There were a few reasons for this.

First, CTC operates gas stations, and gas prices tanked during the pandemic. Second, social-distancing guidelines hit sales at the company's main retail stores. Third, construction and other "blue collar" industries that Canadian Tire sells to got hit hard in the pandemic. These all added up to some terrible quarters for Canadian Tire. Now, however, with COVID-19 risk factors fading, the company is ready to bounce back. Yet its stock is still cheap, with a 17 P/E ratio and a 3.4% dividend yield.

Royal Bank

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is another example of a company that got hit hard by COVID-19. After the initial outbreak, the company's earnings fell 58% in one quarter. That was mostly due to an increase in PCL. PCL means "reserves for estimated loan losses." Banks have to estimate

defaults and set aside funds to cover them. When PCLs go up, earnings go down, and vice versa. Thanks to the gradually abating COVID-19 risk factors, RY was able to lower its PCL in the third quarter. As a result, its earnings shot up dramatically. Now, its profit is down [a mere 2% year over year](#). Yet its stock is still cheap, yielding well over 4%.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is a utility stock that got hit surprisingly hard in the COVID-19 market crash. In general, utilities do comparatively well in recessions, because their revenue is very stable. We saw that with **Fortis**, which didn't take a big dip during the crash. Algonquin did.

That may make its stock a buy at today's prices. In its most recent quarter, AQN's revenue was flat, GAAP earnings were up 81%, and adjusted earnings were down 7%. Even if we take adjusted earnings as the more reliable figure, it was a comparatively solid quarter post-pandemic. Yet the stock remains down for the year, with a P/E ratio of just 18.5 and a 4.6% yield. This cheap valuation and high yield may make AQN a great value investment.

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5. TSX:RY (Royal Bank of Canada)

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