



2 Dividend Heavyweights That Could Pop Once Value Becomes Great Again

Description

Pandemic-resilient [growth](#) stocks have led the broader markets out of their March depths. But don't let the charts fool you into thinking that we're almost out of the woods with this horrific pandemic or that the economic damage has been mostly recovered.

If you take the first-half-of-2020 tech winners out of the equation, you'd see that the **S&P 500** looks more like the **TSX Index**, which has yet to recover fully from the February-March sell-off. Today, the TSX Index is a correction (10%) away from its pre-pandemic highs and with the relief rally running out of steam, it seems as though many investors would rather wait and see what happens next with this pandemic, rather than placing bets on the battered COVID-hit plays before the herd.

Sure, we're nowhere close to being out of the woods with this pandemic, but that doesn't mean a safe and effective vaccine can't be readily available for broad distribution within the next year. Many folks on the Street think we're between one to two years away from returning to normalcy.

With rapid-testing innovations that could help keep COVID-affected companies afloat until a vaccine can be administered, I think it makes a tonne of sense to buy COVID-hit stocks now, rather than waiting for after a potentially steep correction to the upside that could happen at any moment over the next year.

You'll want to hold COVID-hit stocks, despite their weaknesses *before* [value](#) has a chance to become great again. Undoubtedly, there will be pain over the short term. But without pain, you can't have a good chance of excess gain.

If you're looking to take near-term pain for a shot at an outsized longer-term gain, consider battered financials in **Intact Financial** ([TSX:IFC](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). The two names offer a big bang for your invested buck and could be in a spot to soar once we have more visibility with this pandemic's endgame. Best of all, both firms aren't in a spot to crumble to zero in a worsening of this crisis.

Intact Financial

Intact Financial is a provider of property and casualty (P&C) insurance and has outperformed its Canadian insurance peers by a country mile in recent years. The company took a hit from the COVID crisis but was quite quick to regain ground in the latest relief rally. Intact is one of the most resilient non-bank financials on the TSX Index and is a compelling buy, as it continues to unlock value via acquisitions and efficiency-driving initiatives.

Back in December 2019, I'd noted that Intact was my top Canadian pick for 2020, noting that the firm was firing on all cylinders, setting the stage for what was likely to be an enriching next few years for investors. "Intact looks like a winner that will on winning." I said in a [prior piece](#).

Today, shares are pretty much where they were when the year started. Intact has done a terrific job of holding its own versus its peers, and I think investors should seek to back up the truck on the name, as it continues to impress across all fronts.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) was a pretty big loser during the coronavirus downturn. The bank had more than its fair share of exposure to the hard-hit oil and gas sector, and BMO got punished harshly.

Fellow Fool contributor Victoria Hetherington thinks that BMO is a top pick to construct a barbell portfolio, and I think she's right on the money. BMO is a Dividend Aristocrat that's been paying dividends since 1829. The dividend streak is nearly 200 years old. It's been through many crises and has come out of them fully intact.

While the COVID crisis is a different kind of beast, I ultimately think that BMO will be able to get out of this socio-economic disaster without having to axe its dividend, even if we're due for a second wave. You see, BMO is one of the bluest blue chips out there. The capital ratio remains in decent shape. Although another wave could trigger further provisioning, I'd argue that the near-term volatility is worth the shot at potential gains coming out of this pandemic.

CATEGORY

1. Bank Stocks
2. Dividend Stocks

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:IFC (Intact Financial Corporation)

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