Top 3 Stocks to Buy Under $50 Right Now

Description

The COVID-19 pandemic has left many Canadians without work for months. The current crisis has reiterated the importance of saving. Many people believe that you need a lot of money to invest in stocks. What if I say that you need as little as $50 to invest in the stock market?

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It is never too early, and no amount is too little to start investing. The time is right. The stock market is heading into a new rally on the back of fresh liquidity from the Justin Trudeau government's new cash benefits. There are some good growth and dividend stocks that you can buy under $50.

Enbridge stock

The pandemic has significantly impacted the oil demand, as no one is traveling long distances. The oil price has declined, and so have the stocks of companies with exposure to oil. However, **Enbridge** (TSX:ENB)(NYSE:ENB) stock has also taken a hit, as it supplies oil and natural gas through its pipelines.

Unlike oil companies like **Suncor Energy**, which have plunged to losses, Enbridge's revenue fell 40% year over year in the second quarter, but its commodity cost also fell 65%. Hence, its net income fell just 3%. Moreover, its exposure to natural gas and renewable energy offset some of the weakness in oil and increased its distributable cash flow by 6%. Even if oil demand remains subdued, it would remain profitable and generate sufficient cash flows to pay dividends.

In its 25-year dividend history, never has Enbridge cut or stopped paying dividends. But the panic from the oil crisis has reduced its stock price by 29% to below $30 and increased its dividend yield to 8.25%. If you invest in Enbridge now, you can lock in such a high dividend yield for a lifetime. Moreover, when the oil demand returns in two to three years, the stock price will surge 40% to its pre-pandemic level.

With $60, you can buy two Enbridge stocks, which will pay $5 in annual dividend and grow your principal amount to $84 in three years.

SmartCentres REIT stock

Another good dividend stock under $50 is **SmartCentres REIT** (TSX:SRU.UN), Canada's largest retail REIT. The pandemic has reduced its stock price by 35% to slightly above $20. Its stock took a hit, as retail shops were closed during the lockdown. Many small and non-essential retail services closed down, and many tenants could default on rent payments due to low revenue.

SmartCentres's large exposure to **Walmart** and other big essential retailers with high creditworthiness has mitigated the impact of the lockdown. Moreover, the government's Canada Emergency Commercial Rent Assistance (CECRA) program will pay 50% rent for small retailers who are at the risk of default.

The REIT has set aside $15 million in provision for defaults. It has also provided for a $203 million reduction in fair value of investment properties. Both these provisions have resulted in a net loss of $133.7 million in the second quarter. However, it has sufficient cash flow to pay dividends, with a payout ratio of 93.2%.

As the retail shops reopen, its rent collection will improve, and so will the cash flows. A $60 investment in SmartCentres stock will give you an 8.9% dividend yield, or $5.3 annually, for a lifetime. When the economy recovers, the stock will rise to the pre-pandemic level and increase your principal amount to $90.

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iShares S&P/TSX Capped Information Technology Index ETF

If dividends don't excite you, then you can buy **iShares S&P/TSX Capped Information Technology Index ETF** (TSX:XIT) for less than $42. The ETF will give you exposure to the growth of the top 18 tech stocks trading on the Toronto Stock Exchange. If you want to invest in **Shopify** or **Kinaxis**, you will need more than $1,500. But XIT ETF can get you exposure in them for less than $50.

The pandemic accelerated the move to the digitization and boosted tech stocks to record highs. This benefited XIT as the ETF surged 44% year to date and is still rising. If you had invested $60 in this ETF in early April, your money would have grown to $90 in just six months.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
4. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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