2 Cheap Dividend Stocks to Buy Before a Market Dip

Description

In late August, I discussed Warren Buffett's favourite market indicator. The so-called Buffett indicator, which measures the market cap of a country's publicly listed stocks and compares it to national gross domestic product (GDP), has hit very high levels since the late summer. Nations across the developed world have ramped up restrictions in response to higher COVID-19 cases. The last time there were widespread lockdowns it sparked a sharp market pullback. Today, I want to look at two dividend stocks that are still cheap — and worth considering ahead of a potential market dip.

This top dividend stock is cheap right now

Manulife Financial (TSX:MFC)(NYSE:MFC) is a Toronto-based company that provides insurance and financial services. Its shares have dropped 26% in 2020 as of close on October 21. Back in September, I'd discussed whether it was worth it for investors to scoop up this dividend stock at a low price.

Its stock has been relatively static in the month-over-month period. Manulife released its second quarter 2020 results on August 5. Core earnings increased 5% year-over-year to $1.6 billion. However, net income fell $0.7 billion from Q2 2019. The insurance industry has faced difficult headwinds due to the COVID-19 pandemic. Fortunately, the company has maintained solid liquidity and has an impressive history as a dividend payer. This is a dividend stock that investors can trust, even in this shaky economic environment.

Shares of Manulife last possessed a very favourable price-to-earnings ratio of 9.5 and a price-to-book value of 0.7. It offers a quarterly dividend of $0.28 per share, which represents a tasty 6% yield.

One more insurance beast to pick up today

Sun Life Financial (TSX:SLF)(NYSE:SLF) is another top insurer and financial services company in Canada. Its stock has dropped 4.8% in 2020. Sun Life released its Q2 2020 results on August 6.

The company’s reported net income managed to achieve growth of 26% in its United States segment to $111 million. However, net income fell in the year-over-year period in every other category. Net income in Canada plunged 21% to $117 million. On the other hand, wealth sales climbed 53% from the prior year.

One of the main reasons to target these dividend stocks is their respective positions in Asia. The growth of the middle class in Asia has fuelled demand for insurance and financial services. Fortunately, these countries proved to have a robust response to the COVID-19 pandemic. A quick economic rebound in Asia will mean great things for Manulife and Sun Life going forward.

Shares of Sun Life last possessed a P/E ratio of 13 and a P/B value of 1.4. This also puts Sun Life in favourable value territory. The company last announced a quarterly dividend of $0.55 per share. This represents a solid 4% yield.

Which is the better buy?

Both dividend stocks look attractive value-wise for investors right now. However, I’m looking to stash Manulife for its superior value, high dividend yield, and impressive dividend history.

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3. TSX:SLF (Sun Life Financial Inc.)

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