Market Crash: 2 Top Oversold Dividend Stocks for TFSA Investors

Description

The stock market is finally giving Tax-Free Savings Account (TFSA) investors another chance to buy great dividend stocks at cheap prices.

While ongoing volatility is expected in the coming weeks, investors with some TFSA cash ready to deploy might want to start nibbling on oversold stocks.

Is Bank of Nova Scotia stock a TFSA buy right now?

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades near $55 per share at the time of writing, putting the price-to-earnings (PE) multiple below 10. That's pretty cheap compared to its Canadian peers. The other banks that make up the top five spots trade at PE multiples in the 11-12 range right now.

As a top Canadian bank that remains very profitable and has strong long-term growth opportunities in the international operations, Bank of Nova Scotia appears oversold.

Why is the stock out of favour?

Bank of Nova Scotia has a significant presence in Mexico, Peru, Chile, and Colombia. These members of the Pacific Alliance trade bloc are home to more than 225 million people. The pandemic continues to hit Latin America hard. Until a vaccine is widely available, the economies in the region will struggle to recover.

Bank of Nova Scotia normally gets nearly a third of its adjusted profits from the international business. Large provisions for credit losses (PCL) in the group pretty much wiped out the earnings in fiscal Q3. It will be interesting to see if PCL rises again in the fiscal Q4 report.

Despite the challenging environment, Bank of Nova Scotia reported overall adjusted net income of $1.3 billion in the quarter ended July 31. The Canadian banking, wealth management, and capital markets divisions all made money in the quarter. The Canadian economy is improving and the housing market remains in good shape.

Bank of Nova Scotia finished fiscal Q3 with a CET1 ratio of 11.3%, so the bank has a strong capital position to ride out the turbulence. The dividend should be very safe and offers a 6.5% yield.

The stock began the year at $73, so there is big upside opportunity for TFSA investors once the global economy gets back on track.

Is Enbridge stock oversold?

The market hates anything connected to oil and natural gas these days. Oil prices remain weak and infrastructure companies face daunting challenges to get large new pipeline projects approved and built.

Enbridge (TSX:ENB)(NYSE:ENB) moves about 25% of the oil produced in Canada and the U.S. and transports about 20% of the natural gas consumed in the United States. The pandemic forced millions of people to work from home, putting a big dent in demand for gasoline. In addition, ongoing travel restrictions mean airlines have reduced routes and grounded large parts of their fleets. The result is a massive plunge in demand for jet fuel.

The impact for Enbridge is lower throughput on its main oil pipelines as refineries don't need as much crude oil feedstock. The next few months could certainly see more of the same, but things should start to normalize in the second half of 2021.

Enbridge delivered solid Q2 results in a tough quarter and the Q3 numbers should be similar, if not a bit better.

The company has adequate liquidity to meet capital and dividend needs through next year. Distributable cash flow improved year-over-year in Q2 and remains on track to meet guidance.

The stock trades near $37 per share and provides an attractive 8.75% yield. TFSA investors who buy Enbridge today get paid well to wait for a rebound. Enbridge traded above $57 per share earlier this year.

The bottom line on TFSA investing

Bank of Nova Scotia and Enbridge are leaders in their respective industries. The stocks look cheap right now for buy-and-hold TFSA investors and offer above-average dividend yields. If you are searching for top dividend stocks, these names deserve to be on your radar.

CATEGORY

1. Coronavirus
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date
2025/08/23
Date Created
2020/10/28
Author
aswalker