Market Crash: 2 Top Dividend Stocks I'd Buy With an Extra $2,000

Description

Investors who missed the buying opportunity for top dividend stocks during the March market crash are getting a second chance to put money to work.

Some of Canada's top dividend stocks are on sale again, providing great yields and a shot at huge upside.

Is TC Energy a top dividend stock to buy now?

TC Energy (TSX:TRP)(NYSE:TRP) is the former TransCanada. The company changed the name to reflect the broad asset base that lies under the company's umbrella.

TC Energy has roughly $100 billion in energy infrastructure and power-generation assets located in Canada, the United States, and the Caribbean. It is best known for its natural gas transmission operations, but it also has natural gas storage and oil pipelines. Power generation sites round out the portfolio.

TC Energy is positioned well to capitalize on anticipated growth in global demand for liquified natural gas (LNG). The company's infrastructure connects major gas-producing regions with LNG port locations. The US$13 billion acquisition of Houston-based Columbia Pipeline Group turned TC Energy into a major player in the U.S. gas transmission market.

TC Energy just reported decent Q3 2020 results. In the earnings release, the company said its assets have been "largely unimpacted" by the pandemic. Management confirmed the 2020 outlook.

TC Energy is working on $37 billion in secured capital projects. As the new assets go into service, the company expects cash flow to grow enough to support steady dividend increases. The board intends to raise the dividend by 8-10% in 2021 and 5-7% annually in the coming years.

This top dividend stock trades near $53 per share at the time of writing, compared to a 12-month high of $76. Investors who buy TC Energy stock now can pick up a solid 6% dividend yield.

Is Bank of Nova Scotia stock too cheap to ignore?

Bank of Nova Scotia (TSX:BCE)(NYSE:BCE) trades near $55 per share compared to $76 earlier this year. The pandemic lockdowns forced businesses to close, driving unemployment to levels not seen for decades. Ongoing challenges remain, as the second wave of COVID-19 threatens to derail the economic recovery.

Bank of Nova Scotia has a large international business focused on Latin America. The main operations are located in Mexico, Peru, Chile, and Colombia. The four members of the Pacific Alliance trade bloc rely heavily on strong commodity markets to support their economies. Oil and copper, in particular, are main providers of cash flow.

Once the pandemic passes and the global economic rebound kicks into high gear, these countries should benefit.

Trading at less than 10 times earnings, Bank of Nova Scotia's shares are heavily discounted when compared to the other large Canadian banks. That makes it a top dividend stock with huge upside potential. The value gap is largely due to concerns about the international operations. However, the sell-off appears overdone. Bank of Nova Scotia has the capital to get through the downturn. COVID vaccines should be widely available by the middle of next year, so the second half of 2021 could be positive for the stock.

Investors who buy Bank of Nova Scotia stock today can pick up a 6.5% dividend yield and simply wait for the recovery. The distribution should be safe, and the stock could get a nice bounce if provisions for credit losses in the coming quarters turn out to be lower than anticipated.

The bottom line

TC Energy and Bank of Nova Scotia look oversold today and provide above-average dividend yields. If you have some cash sitting on the sidelines, these top dividend stocks deserve to be on your radar.

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