Market Rally Monday: Biden Win Triggers Flight to Big Dividend Stocks!

Description

We’ve got to thank Joe Biden for the market rally on Monday. The Biden administration aims to prioritize fixing the pandemic problem in the United States.

The problem being solved in the country would be a big help for the global economy, as the U.S. still leads in gross domestic product (GDP). Its GDP of close to US$21,428 billion is almost 50% ahead of China, which ranks second.

Another reason for the market rally on Monday was that yesterday **Pfizer** and **BioNTech** released an early snapshot of the phase-three trials for their coronavirus vaccine.

In the initial result, 94 confirmed COVID-19 cases were tested. It suggested the vaccine was 90% effective at preventing the virus. So, the data is looking very good so far.

The study will continue until it reaches 164 confirmed cases — a number that the U.S. Food and Drug Administration (FDA) agreed is enough to tell how well the vaccine works. The agency also requires that any vaccine must be at least 50% effective.

“Are you kidding me?! It wasn’t a market rally!”

Okay, I’ll be honest. It wasn’t much of a market rally per se. The Canadian and U.S. stock markets appreciated as much as 3% and 4%, respectively, on Monday.

But it lost steam. There was profit taking in the afternoon. And the markets ended up with only a gain of a bit greater than 1% on the day. Volatility of 1-3% on any given day is normal for the market.

No one can argue that there wasn’t a Monday market rally, though, because clearly, certain stocks experienced incredible gains, including big dividend stocks like **Manulife** (TSX:MFC)(NYSE:MFC) and **SmartCentres REIT** (TSX:SRU.UN).

Specifically, MFC stock appreciated nearly 11% in a single day. SmartCentres stock was even more impressive with a gain of almost 16%. Despite the rally, both stocks still provide much bigger dividends than the market.

The Canadian market yields just under 2.8%. MFC yields more than 5.3% and SRU.UN yields more than 7.5%. So, their income roughly doubles that of the market's. Keep in mind that the stocks can experience profit taking in the near term after appreciating so much in so little time.

Regardless, both stocks are still undervalued, being impacted by the pandemic as they are. Currently, analysts have a 12-month price target of $23.50 for MFC stock, which represents 12% near-term upside potential. Over the next two to three years, it can reach $28 for 34% upside from current levels.

SmartCentres stock has almost reached its near-term target of $24.88, though the most bullish analyst has a $36 price target on the REIT! Given the retail REIT's quality assets, I have confidence it can reach $30 over the next two to three years. This implies medium-term upside potential of about 23%, while pocketing very juicy dividend income.

The Foolish takeaway

MFC and SRU.UN stocks remain depressed from pre-pandemic levels. If you have an investment horizon of at least three years, you should be able to realize some decent price appreciation while pocketing their rich dividends.

Interested investors who want to be prudent can buy small positions here and see if the market will give you the opportunity to buy more on dips.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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1. Business Insider
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Date
2025/07/07
Date Created
2020/11/10
Author
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