



2 Top TSX Value Stocks to Buy Before December 2020

Description

November was a turnaround time for the stock market, as [successful trials of the COVID-19 vaccine](#) raised investors' hope that normalcy will soon return. Every crisis is an opportunity to buy good stocks at heavy discounts. The Oracle of Omaha, Warren Buffett, has lived and earned through many crises. And his advice for a market crash is, "Bad news is an investor's best friend."

Buy these value stocks before they recover

History has shown that the stock market rises significantly after every market crash. It's the slingshot effect. As the stock price plunges from its normal price, the crisis gives it room to first recover to the pre-crisis level and then start its normal growth path.

In the March sell-off, all stocks fell, but it was the pandemic stocks like **Cargojet** and **Shopify** that benefitted from the slingshot momentum. Those who invested in these stocks in April have more than doubled their money in eight months. It's no point buying these stocks now, as they have already surpassed their high-growth recovery stage.

The stock market is now undergoing another turnaround. In this segment of market recovery, the post-pandemic stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) will flourish.

Enbridge stock

Enbridge is Canada's favourite dividend stock. Its history speaks for itself: it has a 65-year track record of paying regular dividends and a [25-year record](#) of increasing dividends every year. How does it manage to pay incremental dividends?

Enbridge builds pipelines and allows utilities to transit oil and natural gas through them for a fee. It has 10- to 20-year contracts with these utilities, which assures its cash flow. Every year, it pays out 60% of its distributable cash flow (DCF) as dividends and invests the remaining in building new pipelines. These new pipelines generate new sources of cash flow. As the overall DCF increases, Enbridge's

dividend increases.

The pandemic significantly reduced oil demand, which reduced its revenue from oil transmission by 40% year over year in the second quarter. Its stock fell 34% in the March sell-off, and its dividend yield surged to as high as 9%. As the economy and oil demand recovers, Enbridge will recoup its oil transmission revenue, and its stock will return to the pre-pandemic level of \$55. The dividend yield will fall to less than 6%.

Enbridge stock has started on its road to recovery, surging 10% this month with a dividend yield of 7.8%. You can still get the stock at a 25% discount and lock in a high dividend yield before it reaches its pre-pandemic levels.

Descartes Systems stock

Even the November turnaround has uncertainty. What if the vaccine doesn't get U.S. Federal Drug Association approval? What if people refuse to take the vaccine, thereby weakening the efforts to curb the spread? But one stock that will benefit pandemic or no pandemic is **Descartes Systems** ([TSX:DSG](#))([NASDAQ:DSGX](#)). Investing in this stock will balance your risk.

Descartes provides logistics and supply chain management solutions to enterprises of all sizes across different industries. The distribution of the COVID-19 vaccine will be the most challenging for the supply chain. Firstly, the volume of orders will be exorbitant. Secondly, the distribution radius will be worldwide. And if it's **Pfizer** vaccine, then there will be another layer of complexity, as it needs a very cold temperature. Logistics and supply chain management solutions will be among the key beneficiaries.

If the vaccine proves ineffective and the pandemic scenario prevails, Descartes will continue to benefit from higher e-commerce orders. It was the e-commerce wave and the surge in demand for medical supplies that drove Descartes stock up 60% in the pandemic era.

Investor corner

If you haven't yet contributed to your Tax-Free Savings Account, invest \$4,000 in Enbridge and \$2,000 in Descartes. In the next two years, Enbridge will give you income of around \$2,000 (over \$1,300 in capital appreciation and \$650 in dividends).

Descartes stock could surge another 60% in the post-pandemic era, earning you income of \$1,200. Otherwise, the stock will maintain its average annual growth of 20%, earning you \$800 in two years. Your \$6,000 can become \$8,800 by 2023.

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1. Dividend Stocks
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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:ENB (Enbridge Inc.)

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