Market Crash: 2 Top Dividend Stocks to Buy on the Next Pullback

Description

The stock market rally looks a bit frothy after the latest rally. As such, investors could see a meaningful pullback or another market crash in the coming weeks.

A major correction is always scary, but it would provide a great opportunity to pick up some top dividend stocks at cheap prices.

Stock market outlook

The rally in the U.S. markets helped lift Canadian stocks over the past month. Positive COVID-19 vaccine news fuelled most of the surge, which should help boost equity prices over the medium term.

However, the rollout of vaccines will take time, and the near-term risks shouldn't be ignored.

The second COVID wave is getting worse, forcing regional and federal governments in major economies to implement strict lockdowns. The impact on businesses and employment is ugly. Thousands of small firms that managed to stay alive through the pandemic might not make it. Government aid to individuals and companies is already being reduced. There is only so much money the government can throw at the problem.

Despite the risks, the U.S. markets are trading at all-time highs.

Analysts across the board say the market is overbought, particularly in the tech sector. Once investors start to book profits and reduce exposure, we could see a sharp pullback in the magnitude of the 10% drop that occurred leading up to the U.S. election, and a market crash of 20% shouldn't be ruled out.

While it's anyone's guess as to what will actually occur in the next few weeks, investors should brace for some turbulence.

Top dividend stocks to buy when the market corrects

A sell-off will likely hit stocks across many sectors, so some top dividend stocks that already appear cheap could end up trading at very attractive prices.

Look for industry leaders with strong revenues that pay generous and stable dividends.

Is BCE stock a good buy on a market correction?

BCE (TSX:BCE)(NYSE:BCE) already trades at a reasonable price. Any drop from the current level on a broad-based pullback should therefore be viewed as an opportunity to pick up the shares.

The company's media group took a hit during the pandemic. Sports teams had shortened seasons and played in empty arenas. TV and radio advertising suffered as businesses reduced expenses to preserve cash.

Lucrative roaming fees also took a hit due to reduced business and recreational trips to other countries . While the situation will remain challenging in the first half of 2021, it should improve in the later part of next year.

BCE continues to generate solid revenue, despite the market crash, with steady cash flow from its mobile, internet, and TV subscriptions. The company enjoys a wide moat in its industry and has the power to raise rates when it needs extra cash.

The stock currently trades near $58 per share and provides a 5.75% yield. BCE sold at $65 before the pandemic, so there is decent upside when economic conditions normalize. Any drop back below $55 would be a nice entry point.

Should you buy Enbridge stock on the next market crash?

Enbridge stock traded near $57 per share in February. The low during the March market crash was $33 and Enbridge current sits around $43 per share, giving investors a 7.8% yield, with steady dividend hikes on the horizon.

Enbridge just announced a 3% increase to the dividend, effective in Q1 2021. The company also confirmed its distributable cash flow (DCF) guidance for 2020 and anticipates average annual DCF growth to be 5-7% in the coming years. That's great news for dividend investors who feared the payout might be at risk of a haircut.

The stock could dip back below $40 on a market correction, which would give TFSA income investors another opportunity to buy Enbridge at an oversold price.

The bottom line

The long-term outlook for the market remains positive. However, investors should brace for some serious volatility.

If we see another market crash, those who missed the 2020 rally will get a chance to put cash to work. BCE and Enbridge already appear reasonably priced and should be attractive picks on a market correction.

The **TSX Index** is home to many top-quality dividend stocks that deserve to be on your radar for a TFSA dividend portfolio.

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aswalker