Passive-Income Investors: 2 Dividend Heavyweights I'd Buy in January

Description

Now is good a time as any to be a passive-income investor. With a handful of COVID vaccines that could put an end to this horrific pandemic in the new year, many securities will correct upwards while their yields compress. So, if you're looking to pay less to get more yield, there are many opportunities to lock in sustainable yields alongside a shot at potentially outsized gains before what could be an epic economic recovery year.

This piece will look at two dividend heavyweights: a battered REIT and a bruised bank, each with yields that are well above that of their historical averages. Each name, I believe, has a high chance of correcting upwards in a 2021 economic recovery, making them some of the timeliest plays for Canadian passive-income investors.

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) sports a juicy 7.9% yield at the time of writing. As you'd imagine, the retail REIT shares have been feeling tremendous pain due to the COVID-19 pandemic. While Smart is an obvious play on strip malls, I find it absurd that investors would throw in the towel on the name so easily when you consider the REIT's **Wal-Mart** anchor has kept it grounded.

The REIT houses many essential retailers that have kept their doors open during the worst of the pandemic-induced lockdowns. Yet investors are still skeptical over the safety of Smart's distribution. Shares of SRU.UN surged past $24 when the curtain was pulled on vaccine breakthroughs earlier in November, only to pullback in December on no real bad news.

With a resilient enough cash flow stream to make it through a second and third wave with its distribution fully intact, Smart remains a highly underrated REIT, with a distribution that's far safer than most would give it credit for amid the crisis. And once COVID is conquered, SmartCentres will likely have the green light to surge back towards its 2019 highs as rent collection normalizes and folks return to their local SmartCentre locations.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) is Canada's most international bank, with greater long-term earnings growth potential at the cost of a greater magnitude of risk. Amid the pandemic-plagued year, emerging markets have felt the full impact of the crisis, causing Scotiabank to take an amplified hit to the chin.

The price of admission into emerging markets plays hasn't been this low in quite a while. While the risks associated with international markets may not be suitable for all investors, I would strongly encourage younger investors who desire to beat the markets to consider punching their ticket to an internationally focused play like BNS stock while the price of admission is historically low.

You don't need to venture into foreign exchanges to gain exposure to higher-growth emerging markets. Scotiabank, I believe, is one of the safer ways to capitalize on emerging market growth. While the stock isn't the same steal as it was earlier in the year, I still think it has room to run ahead of what could be an abrupt economic recovery for the ages.

The stock sports a 5.3% yield and is still at the lower end of the valuation range, with a price-to-book multiple of just 1.3.

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1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Author
joefrenette