Got $6,000 to Invest? These Dirt-Cheap Dividend Stocks Are Worth the Risk

Description

A new year means another $6,000 that you'll be able to invest with your Tax-Free Savings Account (TFSA). While the end of the pandemic is in sight, there remain a plethora of uncertainties to worry about (there always will be). With various pundits expecting a strong economic recovery from the COVID-19 crisis, now is as good a time as any to put some money to work in some of the more battered dividend stocks, which could face considerable upside if 2021 is the year that we see growth stocks finally taking a backseat to value.

Without further ado, consider scooping up shares of a bruised agricultural commodity producer like **Nutrien** (TSX:NTR)(NYSE:NTR) or the newly-crowned king of the Albertan oil patch **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ). Both names are heavily out of favour, with bountiful yields that I think are more likely to be hiked than cut, even with another round of COVID pressures up ahead.

At the time of writing, Nutrien and Canadian Natural sport yields of 3.5% and 5%, respectively, with valuation metrics that skew towards the lower end of the historical range. Let's have a closer look at each dividend heavyweight to see which, if either, is worthy of your value-focused TFSA portfolio.

Nutrien

Fellow Fool Chris MacDonald has been pounding the table on Nutrien stock of late. He thinks that Nutrien is a terrific play for value investors who are looking to score near-term results. In addition, Chris also points out that Nutrien's finally starting to get the best of both worlds from the merger of Potash Corporation of Saskatchewan and Agrium, putting the company in a unique position to benefit from the secular trend that calls for greater crop yields to feed a rising population.

I guess you could say that Nutrien stock the cream of the crop as far as fertilizer plays are concerned.

With a juicy 3.63% dividend yield and a modest 1.4x sales price tag, Nutrien remains too cheap to ignore and is a name that'd cater to value and momentum investors alike. I think Chris MacDonald is right on the money with Nutrien. It's a boring stock, but a safe one with upside. And that's really all you could ask for as an investor in this uncertain environment.

Canadian Natural Resources

Canadian Natural stock got crushed back in the February-March sell-off. The stock imploded like a paper bag, losing over 70% of its value in a matter of weeks. That's a horrific plunge, and it has more volatility than most prudent investors bargained for. As it turned out, the stock overextended the downside, and the Albertan oil patch wasn't doomed as many thought it would be at the point of maximum panic when COVID-19 was spreading rapidly, taking a bite out of the price of oil.

In the heat of the panic, CNQ's shareholder-friendly management team scooped up Painted Pony Energy in a deal that I thought was one of the biggest steals of 2020. With a slightly more diversified mix of energy assets and a commanding market cap ($40 billion at the time of writing) in the Albertan oil patch, CNQ is the new oil sands king. It could be headed to new heights as pressures continue to be relieved from the fossil fuel plays.

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2. NYSE:NTR (Nutrien)
3. TSX:CNQ (Canadian Natural Resources Limited)
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