2 Top Canadian Dividend Stocks to Buy for March

Description

Rather than trying to time the bottom of the next stock market crash that may not come until far later than you're expecting, look to the bargains that do exist in today's market. Just because the stock market is frothy does not mean there's zero value to be had out there.

Value stocks have taken a backseat to growth for quite some time now. While there's no telling when the next growth-to-value rotation will be (if ever), I still think such areas have a better risk/reward than some of the "hot" stocks that trade at nosebleed-level valuations, leaving them at risk of feeling amplified pain in the next sell-off.

Without further ado, consider **TD Bank** (TSX:TD)(NYSE:TD) and **Hydro One** (TSX:H), two high-yield value picks that look too cheap for their own good heading into March.

TD Bank

TD Bank's less volatile retail earnings stream and its exposure to the U.S. market are major reasons why the stock deserves to trade at a fat premium to its peers in the Big Six banking scene. Amid the crisis, investors seemed to have forgotten that TD Bank is, in fact, a premier bank.

In due time, I suspect investors will gravitate back to TD Bank and away from near-term outperformers like **CIBC** that I still don't believe have proven themselves for being worthy of a premium.

Today, it's expected that central banks stand pat, with interest rates at the floor, for at least another few years. Such a "lower for longer" environment isn't great for the Canadian banks like TD Bank after enduring a brutal year that saw shares crumble like a paper bag before fully recovering heading into the year's end.

But what if inflation spikes uncontrollably, such that central banks need to raise rates by at least a modest amount? Few of us remember what it's like to be in an environment where inflation is problematic. And although the U.S. Fed is pointing to a "lower for longer" environment, count me as unsurprised if a stimulus-driven inflation spike causes rates to rise quicker than anticipated.

If rate hikes are quicker than most expect, markets could get choppy, and the banks could be re-valued to the upside in a big way. TD Bank is an attractive long-term pick while its shares are still modestly valued, and most others are not anticipating rate hikes.

Hydro One

What if rates do remain lower for longer, possibly through 2024? What about negative rates?

If we are destined for low-to-zero or zero-to-negative rates, you're going to want to own dirt-cheap dividend stocks with handsome yields because the hunt for high-quality yield is likely to get harder. Hydro One has an essential monopoly that guards its share of economic profits. This makes the dividend (currently yielding 3.5%) one of the safest and most sound payouts in the world of equities. While not a true bond proxy, I do view Hydro One stock as one of the more compelling risk-off opportunities heading into March.

The stock has mostly recovered from the COVID crash and is up 50% from its 2018 lows. Shares trade at a mere 9.5 times trailing earnings, which is quite absurd given the quality of the dividend you're getting in this incredibly uncertain environment.

While Hydro One has no easy solutions to its low growth woes, the stock is far too cheap to ignore for those who seek deep value in today's pricey market.

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