



Warren Buffett Bets Big on Cheap Dividends: Should You?

Description

The stock market may be [frothy](#) and overdue for a correction. But as you may know, mega- and large-cap tech stocks are largely to blame for most of the froth that's sitting atop the **S&P 500** or **NASDAQ 100**.

On this side of the border, there is no shortage of bargains, especially if you're willing to put on your contrarian hat by going against the grain with some of the battered REITs (real estate investment trusts), utilities, telecoms, and energy stocks, all of which have stocks that are still sitting a country mile away from their pre-pandemic highs.

Warren Buffett sticks with value

With Warren Buffett placing sizable bets on the latter two industries (telecom and energy) in the fourth quarter of last year with **Chevron** and **Verizon**, I think it would be wise to follow the man to value stocks while they're still cheap in case we're due for a continued growth-to-value rotation like the one we witnessed on Monday. Both Chevron and Verizon are classic Warren Buffett value bets at a time when most others have given up on such value plays in favour of growth.

Sure, bond yields creeping higher doesn't bode well for [the growthiest of tech stocks](#). But neither do the pockets of severe overvaluation, which I believe are prominent within the sector.

We've heard pundits calling for some sort of 2000-style tech sell-off. While valuations are undoubtedly on the higher end, with some bubbles floating around this market, I don't think the current environment is nearly as bubbly as the lead-up to the dot-com bust. Regardless, a broader correction of overvalued tech plays could easily send shockwaves across the entire industry, if not the entire market. In such a scenario, it'd be a wise idea to reach for the stocks that have been unfairly put in the penalty box.

With the growth-heavy NASDAQ sharply in the red on Monday, with value-heavy TSX Index that actually rallied modestly, I'd argue that the bargains you find today are buyable, regardless of how "frothy" you think the broader markets are or how much longer the growth-to-value rotation will be.

If you spot a bargain, stop waiting for the perfect entry point. Like it or not, that's timing the market, especially if your cash position is sizeable. Buy a stock you deem to be undervalued and hold it for the long haul, as Warren Buffett has been doing for most of 2020.

Deep value in the TSX Index

There's definitely a frenzy going on in the market, but you don't need to participate in the frenzy by investing in areas of the market that have been overlooked. **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is one dirt-cheap telecom stock that I believe investors should be buyers of in today's market crossroads. The stock sports a swollen 6.4% dividend yield at the time of writing, with shares that could flirt with their March lows over the coming weeks and months.

The telecoms and their sizeable yields haven't been looking too attractive these days. But that's exactly why I think it's worthwhile to go against the grain with a contrarian position. I view BCE as the Verizon of Canada. It's an established telecom with a decent balance sheet and a front-row seat to the 5G boom, which, I believe, will land once this pandemic ends.

BCE's Bell subsidiary is slated to continue investing heavily in next-generation telecom tech, with a \$1.2 billion capital spending boost that should double BCE's 5G coverage over the next two years. Such efforts will pay big dividends down the road, and I think you'd be wise to follow Warren Buffett into the telecoms while they're still down and out.

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