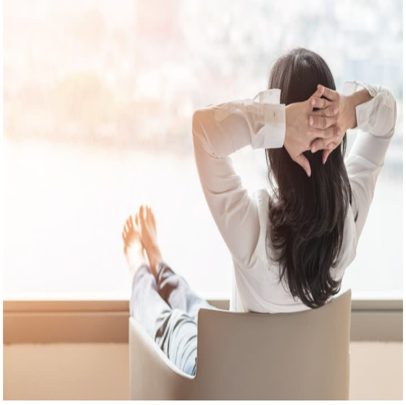

Market Rally: Time to Buy These Big Dividend Value Stocks?

Description

Lately, there's been a rotation of capital into value stocks. Many of these stocks pay big dividends. Some are still depressed from the pandemic market crash from last year and still haven't recovered to pre-pandemic levels.

Here are two big dividend stocks that are at least trading at fair value.

A defensive 7.5% dividend

Enbridge (TSX:ENB)(NYSE:ENB) stock steadily climbed about 10% year to date. The price action forms a nice, non-flashy upward trend. Although it has risen, the defensive dividend stock is inexpensive.

Enbridge's operations have been incredibly resilient through economic cycles. The company's North American energy infrastructure network includes liquids pipelines, gas pipelines, and renewable power assets. They all contributed marginally increases to its cash flow last year, despite the concern about lower energy demand during the pandemic.

Investors should take note of the blue chip stock's distributable cash flow, which is the source of Enbridge stock's dividend payments. In a difficult year, Enbridge still managed to increase its distributable cash flow. On a per-share basis, ENB stock's 2020 distributable cash flow climbed by 2% to $4.67. Consequently, its payout ratio of 69% was within the company's target range.

A rebound in oil prices bodes well for energy stocks and could further improve the sentiment in big-dividend Enbridge stock. Based on management's estimate, the company's payout ratio will remain at about 69% this year and continues to secure its dividend.

Enbridge stock increased its dividend by about 3% in Q1. The higher payout equates to a yield of roughly 7.5%. Analysts think the stock has upside as well. They have a 12-month average price target of $51.30, which represents approximately 15% near-term upside potential.

The 7.5% big dividend yield alone makes ENB stock a lovely blue-chip passive investment. If the price appreciation materializes, too, it would be even more outstanding.

A big Canadian bank with a big dividend

The big Canadian banks are also participating in the recent market rally, as investors are hopeful about the global vaccine programs and the economy continues to normalize.

Among the Big Six Canadian banks, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) offers the biggest yield that sits at 5%. The company's performance will depend primarily on the health of the Canadian economy.

CIBC's business mix based on adjusted net income is about 44% in Canadian personal and business banking, 27% in Canadian commercial banking and wealth management, and 25% in capital markets. It also has a meaningful U.S. commercial banking and wealth management business.

Despite the pandemic, the bank reported resilient adjusted net income of $4.4 billion in fiscal 2020. Moreover, it maintained a strong Common Equity Tier 1 (CET1) ratio of 12.1%, which aligned with those of its peers.

The bank stock has climbed about 70% from its low during the 2020 market crash. As long as the Canadian economy doesn't falter, it will continue to deliver stable performance, as the bank stock is fairly valued.

The Foolish takeaway

The stock market has rallied from the 2020 market crash, but it doesn't mean investors can't get a satisfactory return from their investments at current levels.

Going forward, blue-chip Enbridge and CIBC stocks should at least match the market performance while paying big dividends.

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