



2 Undervalued Stocks for \$2,000 in Passive Income

Description

We all want passive income. It's why we invest in the first place. The idea is to create an income stream that we can use whenever we need it. Whether that's for travel (when we can again), buying a house, or just paying off debt, passive income can be the answer. But when you couple dividends with undervalued stocks, that's the dream team.

When you pair these two together, you can create not just passive income from strong returns from these undervalued stocks, but also stable dividends. What you need to find are industries that are going to continue producing strong revenue and have historical data to back it up.

Today, I'll be looking at two choices for Motley Fool investors to consider. Put them together and you can absolutely create \$2,000 per year in passive income *today*.

First up: The industries

So what are some industries that investors should look into when considering undervalued stocks? Motley Fool readers are likely already aware of one of the best places to invest today — oil and gas. After the crash from 2018 to 2020, oil and gas stocks have begun seeing a huge rebound.

The demand only continues to increase with the pandemic slowly coming to an end. And it's not just from businesses opening up again, but travel as well.

This bodes well for the oil and gas sector. The Energy Information Administration predicts that United States oil petroleum and liquids consumption will increase from about 16 million barrels per day as of 2020, to 19 million by 2050.

Gas consumption, meanwhile, should increase from 84 billion cubic feet per day to 97 billion cubic feet. So that's about 30 years of solid growth investors can look forward to.

Then there's the finance industry. While the finance industry is cyclical in nature, meaning it will likely go down during an economic recession, long-term holders have nothing to fear. There are lots of

undervalued stocks in this industry so you still have a chance to pick up these stocks at a huge discount.

Investors continue to fear the market is volatile, but as the economy rebounds there won't be much more of a chance to buy up these undervalued stocks in the finance industry.

Two options to consider

Now as I mentioned in the beginning, you want to couple undervalued stocks with dividends. So let's look at the two [highest yield](#), undervalued stocks today in these industries. First, there's **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Enbridge stock is likely to continue climbing as the oil and gas pipeline provider of North America.

It has \$10 billion in growth projects that couldn't have come online at a better time. And it has more on the way.

Meanwhile, Enbridge stock continues to have long-term contracts that will continue seeing decades of revenue for Motley Fool investors. That stable income has led to a compound annual growth rate (CAGR) of 14.32% over the last decade in dividends.

You can now pick up Enbridge stock with a 6.81% dividend yield, with shares up 26% in the last year. But it's still one of the undervalued stocks, with a price-to-earnings ratio of just 15.7!

Then there's the finance industry, and for that, I would definitely consider **Manulife Financial** ([TSX:MFC](#))([NYSE:MFC](#)). The company offers a diversified revenue stream within the insurance business. It has recently grown its [Asian insurance](#) arm to take over about a third of the company's business. This is a market many are still trying to penetrate this emerging market exploding with growth with the middle class growing in China alone.

But its North American operations are also strong as the pandemic ends. Increasing interest rates are a good thing for Manulife, and why it can support a dividend yield of 4.67% as of writing! Yet it's also one of the undervalued stocks with a P/E ratio of 8.96!

Foolish takeaway

Motley Fool investors can pick up these undervalued stocks today at a huge discount looking at the P/E ratio and quickly make \$2,000 in annual income. To pick up \$1,000 in dividends from each stock, it would take a total investment of \$36,158 as of writing. Meanwhile, you'll continue seeing returns climb for decades.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:MFC (Manulife Financial Corporation)

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Date

2025/07/07

Date Created

2021/06/27

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