1 of the Best Canadian Dividend Heavyweights I'd Bank On With $500

Description

If you've been waiting all year for a correction before putting your extra $500 to work, you're probably tempted to do some buying of some dividend heavyweights after Monday's nasty 2% decline. Only time will tell if we're headed for a correction, but one can't ignore the action that's been going on behind the scenes.

You see, there's been a rolling correction that's worked its way through individual sectors.

Undoubtedly, we've witnessed more than a handful of growth-to-value rotations and reverse rotations. It's been a choppy ride, and while the TSX Index may be just off 2% or so from its high, you shouldn't overlook many of the top Canadian stocks that are down well over 10%. It's these such names that could have the most room to run, independent of what the TSX's next move will be.

Personally, I think those waiting for a correction to put their excess cash to work will be waiting a very long time. All the while, inflation could take a bite out of its purchasing power. So, whether you've got $500 or $5,000 in cash in your low-rate savings account, it's time to check out some great Canadian businesses that have fallen under way more pressure than the broader basket of Canadian stocks, which could very well continue climbing higher on the back of blowout earnings results.

A dividend heavyweight to buy on weakness

Right now, I'm a huge fan of the risk/reward tradeoff to be had in Canada's top financials, especially **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Sure, falling 10-year note yields aren't great for the banks over the near term. Still, many pundits expect rates to pick up again, especially the Fed-doubters, who view recent inflation numbers as less benign in nature.

Ultimately, higher rates are what many investors may be ill-prepared for. So, if you're not yet ready for rising rates, the recent sagging in the 10-year yield and the financials, I believe, is a magnificent near-term buying opportunity to play a longer-term trend of rising interest rates.

Bank of Nova Scotia sags over 6% from highs

Canada's most international bank, Bank of Nova Scotia is back on the retreat as the "Delta" variant continues spreading across various parts of the globe. Undoubtedly, the variant poses a serious risk to the world's recovery from the coronavirus crisis. In developed countries, like the U.S. and Canada, there's likely to be a sustained recovery to near-normal levels, as full-blown lockdowns seem less likely, as more jabs are put in arms.

In other parts of the globe, where vaccination numbers aren't as great, more infectious variants could bring forth restrictions for longer. As a Canadian bank with emerging markets exposure, Bank of Nova Scotia deserves to trade at a discount to its peers. As Delta fears pick up over the coming months, Bank of Nova Scotia could continue to feel the brunt. But with shares off 10% from all-time highs, I think a majority of the damage has already been baked in.

The bottom line on the dividend heavyweight

When it comes to the international markets, higher growth can come at the cost of higher risk. And such risks in the era of COVID-19 have been amplified. With BNS stock trading at just 12.3 times earnings, though, I find the name to be a worthy buy for long-term investors on the way down while emerging markets exposure is discounted. The 4.7% dividend yield is the biggest of the Big Six batch and is among the safest payouts of all international banking plays out there.

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Date
2025/09/10
Date Created
2021/07/25
Author
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