2 Cheap Dividend Stocks to Buy in July

Description

The July market pullback is giving investors a chance to buy some top Canadian dividend stocks at undervalued prices.

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Barrick Gold

Barrick Gold (TSX:ABX)(NYSE:GOLD) reported strong Q1 2021 results and recently said it is on track to meet its 2021 production targets.

The Q2 results come out Monday, August 9, and investors should get some good news. The average market price of gold in Q2 was US$1,816 per ounce, and the average market price for copper was US$4.40 per pound. These are both higher than the average prices in the first quarter of the year.

In Q1 2021, Barrick Gold reported all-in sustaining costs (AISC) on gold production of US$1,018 per ounce. The Q2 AISC number should be similar, so the company is generating strong profits at current gold prices.

Barrick Gold is best known for its gold mining operations. The company owns five of the top 10 gold mines on the planet and has one in development that will join this club.

The copper operations are enjoying great margins as well, and the market might not have this priced into the stock. Barrick Gold reported copper AISC of just US$2.26 per pound in the first quarter. The price of copper remains above US$4 per pound, and the market is expected to remain strong for several years due to high demand for the manufacturing of solar panels, wind turbines, and electric vehicles.

Barrick Gold tripled the dividend in the past three years and is giving investors a special payout of US$750 million in 2021. That works out to US$0.42 per share on top of the annualized US$0.36 per share dividend. At the current share price of US$20.50, the combined US$0.78-per-share payout provides a 3.8% yield.

Investors could see another boost to the distribution by the end of the year, supported by the strong market prices for gold and copper.

The stock appears cheap right now. Barrick Gold trades near $26 per share on the TSX Index compared to $40 last August. If gold extends its recent rebound, the stock should move meaningfully higher.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) traded for $56 per share before the pandemic. At the time of writing, investors can pick up the stock for close to $48. The shares have recovered good ground from the 2020 lows but still appear undervalued.

Enbridge isn't an oil and gas producer; it simply moves the hydrocarbons from the production companies to their customers. This might be refineries or storage facilities. The company is a key player in the North American energy infrastructure industry and has assets that are very valuable. Enbridge's oil pipeline network transports 25% of all the oil produced in Canada and the United States. Its natural gas transmission operations move 20% of the natural gas used by Americans. In addition, Enbridge owns natural gas utility businesses, gas storage sites, and has a growing renewable energy division.

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The board raised the dividend last year, despite the challenging market conditions. Payout hikes should continue at a steady pace in line with growth in distributable cash flow. Enbridge has a large capital program in place to drive revenue expansion, and the company is large enough to make strategic acquisitions.

As the demand for gasoline and jet fuel rebounds in the coming months, interest should return to the energy infrastructure sector. Investors who buy Enbridge stock at the current share price can get in ahead of the pack and pick up a solid 6.9% dividend yield.

The bottom line on cheap dividend stocks

Barrick Gold and Enbridge are leaders in their respective industries. The stocks look cheap today and pay attractive dividends that should continue to grow.

If you have some cash to put to work right now, Barrick Gold and Enbridge deserve to be on your dividend buy list.

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1. Dividend Stocks
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2. NYSE:ENB (Enbridge Inc.)

3. TSX:ABX (Barrick Mining)
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