



## 2 Cheap Stocks to Buy in an Overpriced Market

### Description

Is the stock market overpriced in 2021? As of June 30, 2021, **TMX Group**, operator of the Toronto Stock Exchange, ranked second in the number of new listings globally, according to data from the World Federation of Exchanges. TMX's market capitalization, including the TSX Venture Exchange, topped \$4 trillion for the first time.

Canada's economy is still in the recovery stage, yet the TSX keeps posting new records. It was preposterous to think the index would ever reach 20,000 after the COVID year. Surprisingly, the TSX continues to impress as we start September. The August closing was 20,582.90, or an 18% year-to-date gain.

Investors couldn't care less even if an overvalued market is vulnerable to a correction. *Bloomberg* reported that Canadian stocks have had the best first half of the year since the 2008 financial crisis. The TSX climbed 15% in the first half of 2009. I think the buying frenzy will continue in the back half of 2021.

If you want [cheap but profitable buys](#), consider **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) and **True North Commercial** ([TSX:TNT.UN](#)). You'll feast on outrageous dividend yields without shelling enormous capital. The pair is also excellent in tax-advantaged investment accounts.

### Generous dividends

Chemtrade is a superstar to [income investors](#). The \$702.31 million chemical company is known for its generous dividends. At \$6.78 per share, the yield is 8.85%. Using the [Rule of 72](#), a \$500,000 investment will grow to a million in eight years.

The business was stale in 2020 due to the pandemic, and the company has yet to recover from steep losses. Revenue in the first half of 2021 fell 9%, although net loss reduced 63% to \$34.5 million compared to the same period in 2020. However, management expects to end the year with an adjusted EBITDA of between \$245 million and \$260 million.

Chemtrade's forecast is slightly lower than the \$265.3 million adjusted EBITDA in 2020. The target follows certain assumptions like no lockdowns or stay-at-home orders in North America due to the resurgence of COVID cases. Likewise, none of its principal manufacturing facilities will experience significant unplanned downtime for the rest of 2021.

## Strength of the tenant base

While uncertainty hounds Chemtrade, True North Commercial maintains stability because of government and credit-rated tenants. The \$659.9 million real estate investment trust (REIT) trades at \$7.53 per share and pays a lucrative 7.89% dividend. Both stocks are stable, but True North outperforms Chemtrade thus far in 2021 (+26.15% versus +23.10%).

In Q2 2021, True North's revenue was flat, although its net income rose 46% to \$6.52 million compared to Q2 2020. As of June 30, 2021, the portfolio consists of 45 commercial properties. The tenant profile is True North's top attraction. About 36% are government offices, while credit-rated tenants comprise 40%.

The federal government of Canada is the most prominent tenant and contributes 14.2% to gross revenue. It will remain True North's tenant for the next 6.3%. Four provincial governments (Alberta, Ontario, New Brunswick, and British Columbia) are lessees too. The remaining weighted average lease term is 4.7 years, while the occupancy rate is 97%.

## Pure dividend plays

High-yield dividend stocks are not necessarily the best investments. Chemtrade and True North are attractive options because they are pure dividend plays. Likewise, both display resiliency on the stock market notwithstanding the challenging environment.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

**PP NOTIFY USER**

1. cliew
2. kduncombe

**Category**

1. Dividend Stocks
2. Investing

**Date**

2025/06/28

**Date Created**

2021/09/04

**Author**

cliew

default watermark

default watermark