



2 Dividend Stocks to Buy in October

Description

After a turbulent start to September, October is just around the corner. It's also a period of seasonal [weakness](#), so investors are likely to continue proceeding with caution until November and December, which are better periods seasonally, finally roll around. Indeed, history suggests now's a pretty bad time to put [new money](#) into equities. Still, I think it's foolish (notice the lower-case "f") to base investment action on something as arbitrary as what month we're in.

It doesn't make a lot of sense, as if everybody already knows about the seasonal weakness, they'd have already prepared beforehand, and the "correction" that everyone is waiting to buy may never come around, as dip buyers pounce on the single-digit percentage declines that do come around.

Timing markets is not a great idea unless you've got a seasoned track record as a professional trader. Most money is made through sound, long-term investment over the years and decades. A lack of timing and inactivity, especially during downturns, tends to be a solid strategy for most. Of course, if you've got the courage to be a buyer when there's blood on Bay and Wall Street, your odds of doing even better are greatly increased.

In any case, I think putting one's contrarian hat on is a good idea. Don't dump your winners because of recent correction fears. Instead, it may be wise to let winners run and scoop up bargains, many of which have already sold off. Such names may or may not be cheaper after a 5-10% drawdown in the **TSX**. As such, it's wise to spread your buying activity over time, with less regard for what could be on the horizon. In the end, markets will act in unpredictable ways, as will the exogenous factors dictating its ultimate trajectory.

Consider shares of **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **CP Rail** ([TSX:CP](#))([NYSE:CP](#)), two blue-chip studs that recently fell on hard times.

TD Bank

TD is the Canadian bank we all know and love. It was trading at a historical premium to the peer group before the pandemic. After a gruelling past two years, however, the stock now finds itself trading at a

discount to the pack, with its meagre 9.7 times trailing earnings multiple.

Canada's most American bank now may also be Canada's cheapest financial after sliding over 7% from its summer peak. I think history suggests you need to buy the stock in spite of its relative bout of quarterly underperformance. CEO Bharat Masrani is just too good a manager to justify TD stock's dirt-cheap multiple. Moreover, the company has enough dry powder to make a splash south of the border, as it looks to enhance its American retail banking portfolio.

And once banks are given a "go" to hike their dividends again, TD could easily find itself yielding north of 4.5% again.

CP Rail

CP Rail won the bidding war against top peer **CN Rail** to acquire **Kansas City Southern**. And investors are not huge fans, with the stock sagging nearly 13% from its high. The price paid is high, perhaps too high. In any case, it could be many years for CP to prove that the deal was worthwhile. In the meantime, expect the deal to weigh the stock and the balance sheet down over the medium term.

Although the stock isn't a steal at 17.8 times earnings, I do think that investors should continue to watch the name should it fall further toward the back end of the year. The 0.89% yield is unremarkable at first glance. But if you're in for the long run, the dividend is a lot more than meets the eye, given potential dividend growth over the next 10 years and beyond.

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