1 High-Yield Canadian Dividend Stock That Got Unfairly Punished

Description

The **TSX Index** is bouncing back after a rough start to the autumn season. Undoubtedly, seasonal weakness around this time was to be expected. Heading closer to winter, though, there are reasons to be optimistic that a Santa Claus rally will also be coming to town this year. Undoubtedly, investors have a lot on their minds these days.

Stagflation worries, rate hikes, slowed gross domestic product, COVID-19, and Evergrande, just the name a few. These things are quite perplexing for the average investor to understand to full implications. Add stretched valuations and considerable speculative activity and we have more than enough to be cautious.

Still, it's better to have the slate of worries about the market's system sooner rather than later. With great earnings clocked in by some U.S. banks on Thursday, it certainly seems as though investors were a bit too quick to get pessimistic, with the inflationary 1970s now apparently in the pace of that roaring 2020s environment we were all hoping for.

Could the first taste of earnings south of the border be a harbinger of things to come? Possibly. A lot of analysts have already downgraded their expectations with some very tough year-over-year comparables on the horizon for many firms. But it may not be as bad as people expect. And if that's the case, investors should continue scooping up shares of battered TSX stocks that may have unfairly been marked down at bargain-basement prices over nothing more than near-term noise.

Consider shares of **BCE** (TSX:BCE)(NYSE:BCE). BCE is a dividend behemoth with meagre growth prospects. Shares of the big Canadian telecom giant have really been on the receiving end of late, and BCE shares may have slipped too far, too fast, opening up a buy window for contrarians seeking a timely bet.

BCE: A great Canadian dividend stock to buy right now

BCE is a go-to dividend stock for many passive income investors and retirees. The stock sports a juicy 5.5% yield following the stock's recent 6% slip off its recent high. Why are shares back on the retreat?

It mostly has to do with industry weakness, rather than anything specific to BCE. Undoubtedly, the broader TSX Index has been under a bit of pressure, and BCE stock alongside the basket of Big Three telecoms was overdue for a breather.

I think this breather is a great entry point for those looking to ride the coming 5G boom. While BCE isn't a great growth play, its secure dividend and modest valuation (19.8 times earnings) in a frothy market make it worth buying on the way down.

Undoubtedly, BCE and its hefty payout aren't going to make you jaw-dropping returns over a short timespan. Still, BCE is one of many potential value plays that can give you a slight edge over the long run and help you beat the TSX by a substantial margin over time.

While I'm not against loading up on BCE for the 5.5% yield after a similar-sized dip, I'd be ready to buy even more should the stock fall back to its $55 level of resistance, which would imply a yield north of 6%. Indeed, investors need to insist on a wide margin of safety in this market.

At the same time, they should be aware of the opportunity costs of staying on the sidelines when quality names like BCE plunge by 6% for nothing more than lacklustre reasons.

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