2 Insanely Cheap Canadian Dividend Stocks to Buy Today

Description

Canadian investors are big fans of dividend stocks! Who doesn't enjoy collecting monthly or quarterly dividends? I know I do. However, as the stock market continues to climb higher, it is getting more challenging to find dividend stocks with outsized yields but limited risk.

Canadian stocks with a history of dividend growth are ideal

I find it important to own dividend stocks that have strong histories of dividend growth. Generally, dividends are raised when business fundamentals are strong, the balance sheet is well capitalized, and free cash flows are rising. I like it even better when these stocks are on sale.

Certainly, investing in cheap stocks can be challenging. Generally, you have to invest counter to the market and when a stock price is depressed. However, if you invest with a long-time horizon (five or more years), often these short-term corrections iron themselves out. If you aren't afraid of short-term volatility, here are two dividend stocks that look extremely cheap today.

Algonquin Power: A cheap Canadian dividend stock

A perfect example of this is **Algonquin Power** (TSX:AQN)(NYSE:AQN) today. After a very strong year in 2020, its stock has pulled back almost 16% year to date. Today, it trades with a price-to-earnings (P/E) ratio of only 12. That is pretty cheap, at least compared to the broader market.

Low renewable power resources and some operational blips have kept this stock in the doghouse over the year. Yet, overall, this Canadian stock has some really good bones. It has a high-quality portfolio of stable regulated utility assets that are complemented by a growing renewable power development business.

This Canadian dividend stock just announced a large utility acquisition in the United States. Algonquin is raising equity to finance the deal, so that is putting pressure on the stock price. Yet, it sounds like the acquisition will quickly be accretive and it should improve the defensive nature of Algonquin's utility business.

Algonquin has a history of raising its dividend on average by 10% a year over the past 10 years. While Algonquin's dividend-growth rate could slow to some extent, it is still should grow by at least 6-9% annually going forward. Today, investors capture a solid 4.8% dividend yield while they wait for this Canadian dividend stock to turn around.

Enbridge: Dividend upside this year and for 2022

Another Canadian stock with an elevated dividend yield right now is **Enbridge** (TSX:ENB)(NYSE:ENB). At $50 per share, it still pays a handsome 6.6% dividend yield. Despite a solid outlook for oil and energy pricing, Enbridge still hasn't eclipsed its pre-COVID-19 price. Today, this stock is pretty cheap with a forward P/E ratio of only 16.

It has faced some legal challenges, especially regarding its ability to keep operating the Line 5 pipeline across the Great Lakes. Yet legal rulings to date have all been in Enbridge's favour. Frankly, its network of pipelines and assets are crucial to the North American economy.

Its assets are highly contracted, and that supports its attractive dividend. It expects to place $10 billion worth of new transmission, distribution, and renewable projects into service this year. All these new assets should significantly boost cash flows in 2022. Given that Enbridge investors have enjoyed 26 straight years of dividend growth, they are likely to enjoy another nice dividend increase by the end of 2021.

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