2 Insanely Cheap TSX Stocks That Pay Great Dividends

Description

The recent **TSX** stock market decline is a true gift for contrarian investors. Frankly, there is a lot to worry about these days (the Omicron variant, the U.S. Federal Reserve tapering, inflation, geo-political concerns, etc.). The **Cboe Volatility Index** (VIX) recently spiked to a six-month high, indicating that equity investors have recently been hitting the sell button.

If you like cheap TSX stocks, this might be your opportunity

Despite all this, there is always opportunity in the madness. As Warren Buffett has famously said, “Whether we’re talking about socks or stocks, I like buying quality merchandise when it is marked down.” While Black Friday and Cyber Monday have already passed, the TSX stock market is selling some great companies at very attractive discounts right now.

One sector that has become insanely cheap is the energy sector. Fears around the Omicron variant have drawn the price of oil down drastically in the past few weeks. While this is concerning, it is likely only temporary. Supply-demand factors still look very favourable for this industry over the next few years. If you don’t mind some volatility but like cheap dividend stocks, here are two that look pretty interesting right now.

A cheap oil super major with 40% upside or more

Suncor (TSX:SU)(NYSE:SU) has had a strong run up in 2021. Yet it still trades at a 40% discount to its pre-pandemic price level. With a forward price-to-earnings ratio of only eight times, this TSX stock is still very cheap.

Suncor stock has lagged energy peers in 2021. Yet the company has recently been right-sizing operations, reducing debt, buying back stock, and even increasing its dividend. In fact, just last quarter, it raised its quarterly dividend by 100%! Today, this TSX stock is yielding over 5.5%.

The great news is that its dividend is sustainable so long as oil trades over US$40 per barrel. WTI oil is trading just below US$70 today. Should oil prices charge higher again, Suncor will continue to yield a ton of free cash flow.

Consequently, Suncor looks solid today. It could still see serious upside from share buybacks and even further dividend increases in the future. Suncor is well positioned to provide some solid returns for investors in 2022 and even beyond.

One of the highest-yielding stocks on the TSX

Enbridge (TSX:ENB)(NYSE:ENB), one of North America's largest energy infrastructure businesses, has seen its stock decline nearly 11% since November. Today, it pays a quarterly dividend of $0.835 per share. On an annual basis, that equals to a 7% dividend yield. That is one of the highest dividends amongst all the stocks on the **TSX Index**!

To some extent, Enbridge trades in tandem with its energy-producing customers. However, this TSX stock was hit when regulators announced their rejection of Enbridge's contracting proposal for the Mainline pipeline. While this is something to worry about, new rules will not come into effect for a number of years.

This should give Enbridge plenty of time to recalibrate the strategy for its Mainline pipeline operations. Also, a number of major new projects will enter service at the end of 2021. The increasing cash flows from these projects should help offset any potential cash flow volatility from the recent decision. For a TSX stock with an outsized yield and a cheap valuation, Enbridge looks attractive today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)

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. kduncombe
2. robbybrown

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/08
Date Created
2021/12/07
Author
robbybrown