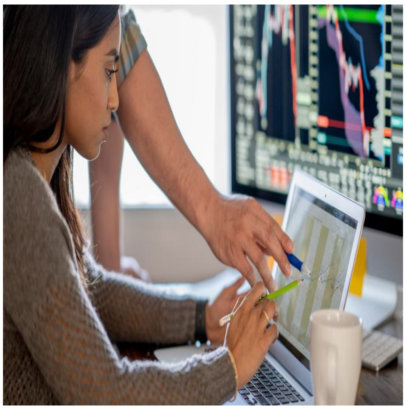

2 Cheap Dividend Stocks to Buy and Watch Before 2022

Description

After a huge up day for the broader markets on Tuesday, many investors who didn't buy the dip are probably looking for some catch-up trades among Canada's cheaper names. Nobody knows if the Santa Claus rally will still be in play. And although valuations across the board may still be suspect, there is still an abundance of relative bargains right here on the **TSX Index**.

In this piece, we'll have a look at two Canadian stocks that remain cheap, even after this week's sudden bounce on diminishing Omicron variant fears.

Without further ado, consider shares of **CIBC** (TSX:CM)(NYSE:CM) and **Quebecor** (TSX:QBR.B), which are off around 7% and 20% from their all-time highs, respectively.

CIBC

CIBC is Canada's number five bank, with a handsome dividend yield of 4.5% and a mere trailing price-to-earnings (P/E) multiple of 10.2 times. After surrendering a bit of the incredible gains posted in the front half of the year, CIBC stock is gravitating closer towards its historical average P/E multiple near the single digits.

Recently, the bank clocked in a decent quarter alongside a 10% dividend hike alongside a fresh share-repurchase plan. Indeed, the Big Six Canadian banks seem to be right back at after navigating out of one of the worst crises in recent memory. CIBC may not be the most undervalued bank, but for dividend seekers who don't want to walk away from the recent market dip without a bargain, CIBC is a great value. While CIBC didn't have the best quarter this earnings season, the fundamentals still seem incredibly robust, and that bodes well for the firm's dividend-growth prospects over time.

Should the selloff intensify, shares of CIBC may boast a single-digit trailing P/E again. So, do be ready to top-up if the big gains in financials stand to be surrendered in a new year that could be filled with sector-based rotations.

Quebecor

Quebecor (TSX:QBR.B) is an underrated Quebec-based telecom that's eager to expand into new markets. The Big Three Canadian telecoms have been incredibly dominant, and there is a need for that number four player to bring forth a bit of disruption. Indeed, rumours have swirled that Freedom Mobile may be scooped up by the likes of Quebecor. Although Freedom would give the Quebec-based telecom a nice head start, as it spread its wings beyond the province of Quebec, the firm will really need to spend a considerable amount to get up to speed with 5G — an area where Freedom is currently lacking.

Still, the fast LTE network to be had with Freedom could give it a solid foundation to build off of. In any case, investors seem doubtful that Quebecor can replicate its high ROIC (return on invested capital) numbers, as it takes its growth profile to the next level with the hopes of becoming player number four in Canada's uncrowded telecom scene.

At 12.5 times trailing earnings, Quebecor is one of the cheapest dividend plays on the TSX today. Moreover, the 3.9% dividend yield is also at the higher end. However, the magnitude of dividend hikes moving forward may be more modest should the company get aggressive with its investments to become Canada's fourth major wireless carrier. Indeed, at these depressed valuations, the risks of Quebecor's epic expansion seem mostly baked in. No national expansion is without risk. That said, I am a huge fan of management and think they're capable of replicating the profound success enjoyed within Quebec.

CATEGORY

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:QBR.B (Quebecor Inc.)

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