4 Cheap Dividend Stocks to Buy in the December Dip

Description

The Omicron variant has created a bearish stance in the market that even the Santa Claus rally can't affect. The variant is once again creating uncertainty in the market. Governments worldwide are imposing travel restrictions to control the spread. Since November 25, the TSX Composite Index has dipped 4%, and **iShares Canadian Select Dividend Index ETF** dipped 2%.

Stocks to buy the dip

You saw what happened in the March 2020 crash and how the market rebounded during the economic recovery. Historical data shows that the recovery rally is the fastest and most profitable. Big names like Warren Buffett and George Soros have lived through several market crashes and profited from them. The December dip has created an opportunity to buy four dividend stocks at a cheaper price:

- **Suncor Energy** (TSX:SU)(NYSE:SU)
- **TC Energy** (TSX:TRP)(NYSE:TRP)
- **Enbridge** (TSX:ENB)(NYSE:ENB)
- **NorthWest Healthcare Properties** (TSX:NWH.UN)

When a stock price falls, the dividend yield rises, giving you an opportunity to lock in a higher yield. A dividend yield above 5% is a good bargain in the current market.

Suncor: 5.5% dividend yield

The pandemic has changed the world for Suncor in both good and bad ways. It first created an oversupply of oil, pulling the stock down to the levels last seen in 2004. The lockdown created a massive oversupply and pushed oil companies to losses. Suncor even slashed dividends by 55% at the peak of the pandemic.

Suncor used this opportunity to optimize its operations and make it cost efficient. The dip acted like a slingshot for a steeper jump (over 50%) during the recovery. The pent-up travel demand boosted oil demand, thereby, increasing oil prices to 2014 levels. Higher oil prices brought windfall gains to Suncor, and the oil giant doubled its dividend in October.

But the Omicron wave has pulled down Suncor stock 10% and increased its dividend yield to 5.5%. This is an opportunity to buy the dip, as the return of oil demand would boost oil price and shoot Suncor stock up to new highs. Even if there is a dividend cut, take it as the company compensates you with sizeable dividend growth.

TC Energy and Enbridge

Suncor cut dividends, as the downturn impacted its cash flow significantly. But energy infrastructure companies increased their dividends, even during the downturn, thanks to their robust business model and strength in natural gas.

Natural gas is a key source of heating solutions. The harsh climate changes significantly impacted the power-generation capacity of renewable energy sources, pushing the energy demand to natural gas. The huge dependence of the United Kingdom and the United States on renewables forced them to export natural gas, thereby increasing natural gas demand.

However, regulatory and environmental issues are making it harder to build new pipelines, pulling down pipeline stocks. TC Energy and Enbridge stocks are down 13% and 10% from their November highs. TC Energy took a bigger hit, as it cancelled its decade-long Keystone XL Pipeline project. It has now diverted significant capital to natural gas pipelines.

TC Energy expects to continue growing its annual dividend by 3-5%, which is lower than its 20-year compounded annual growth rate (CAGR) of 7%. Even Enbridge increased its 2022 dividend by 3%, which is lower than its 26-year CAGR of 10%. The dividend growth has slowed, as the companies are accelerating their capital expenditure. When these projects come online, they will improve cash flow and drive dividend growth. The current dip has increased TC Energy's and Enbridge's dividend yields to 5.93% and 7.15%, respectively.

NorthWest Healthcare Properties: 5.95% dividend yield

NorthWest Healthcare Properties has 189 income-producing properties in the Americas, Europe, and Australasia. Healthcare services come under essentials, and more than 80% of the REIT's revenue is provided by public healthcare funding. This secures its cash flows and dividends. The REIT has dipped 4% due to the overall market dip caused by Omicron, creating an opportunity to lock in a 5.95% dividend yield in Northwest.

These dividend stocks can help you earn a regular investment income in the long term.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:ENB (Enbridge Inc.)
5. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
6. TSX:SU (Suncor Energy Inc.)
7. TSX:TRP (TC Energy Corporation)

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