2 Dividend Stocks for Prudent Investors

Description

Cash may very well be an asset to hold as a hedge against a continuation of this 2022 stock market selloff. At the same time, holding too much cash will leave you vulnerable to persistent inflation.

Is the central bank behind the curve, as pundits like to say these days? Possibly. Could an aggressive rate-hike schedule be needed to counter this? Perhaps. Will such a more hawkish (it's already modestly hawkish now) pivot trigger an economic recession? It's really hard to tell, given the 2018 "Fed put" and Jay Powell's desire to keep the economy on steady footing. If the man is wrong about the nature of inflation, though, the real question is if Powell will have to reluctantly raise rates and fast in an admission that he had it all wrong in his original view that inflation was persistent.

Indeed, it's really hard to be an investor these days. There's risk everywhere. That said, there will always be risk in being an equity investor. That's why investors need to weigh risks and make moves with a strong understanding of how much they stand to gain and lose. It's all about risk versus reward.

We'll have a closer look at two intriguing dividend stocks that I think are a perfect fit for the portfolios of prudent investors. Yes, volatility could continue in 2022. But that doesn't mean you can't build wealth with the names that are underpriced versus their intrinsic value.

Without further ado, consider the following names heading into late February.

Magna International

Magna International (TSX:MG)(NYSE:MGA) has fallen under a bit of pressure in recent months. Indeed, peak auto fears will always linger somewhere for owners of names in the auto sector. If you get caught on the wrong side of a cyclical downturn in autos, the pain could be off the charts. I don't think we've hit peak auto yet. Supply chain challenges and all the sort haven't been able to keep up with demand. As we move beyond such challenges, will the demand still be there? I'd argue that yes, it will still be there, especially since consumers will move beyond used autos and look to the shiny, new EVs of tomorrow.

The EV boom has yet to begin. I think it could be a multi-year tailwind for the auto segment. Even if we are dealt a recession, I'm still a big believer in the long-term future of a discounted auto-part maker like Magna. It's really good at what it does and will play a major role in helping firms meet what could be solid demand for EVs for many years to come.

The stock is staging a comeback after a 25% drop. The $30.5 billion may very well be worth considering, if not for the EV boom, for a dividend-rich value investment. At 13.4 times earnings, with a 2.3% yield, MG stock looks intriguing on this dip.

Restaurant Brands International

Restaurant Brands International (TSX:QSR)(NYSE:QSR) clocked in some pretty solid numbers on Tuesday, propelling shares around 4% on the day. I think the reaction was muted. With the economic reopening to pick up traction (as Omicron fades), I think QSR stock could be one of many discounted reopening plays to make a sharp move towards all-time highs. Yes, QSR doesn't have the best digital infrastructure or drive-thru capabilities. But it's changing for the better. Further, QSR should be viewed as a more COVID-sensitive reopening play. As cases dwindle, I believe QSR stock has far more room to run than its peers.

For that reason, I'm a backer of the firm following its near doubling of Q4 revenues. The numbers were no surprise to me. That's the power of good brands. Once the tides turn, QSR stock will be hard to ignore.

CATEGORY

1. Investing

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1. NYSE:MGA (Magna International Inc.)
2. NYSE:QSR (Restaurant Brands International Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:QSR (Restaurant Brands International Inc.)

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