2 Dirt-Cheap Stocks With Huge Dividends

Description

It's been quite the shift back to value stocks, as the "lazy" momentum and "growth at any price" trades reverse course. Undoubtedly, it's value's time to shine again, with rates back above the 2.1% mark. With the U.S. Federal Reserve signalling that it's ready to aggressively hit the rate hike button in order to combat a rampant level of inflation, stocks have been a bit jittery. In Canada, the central bank needs to take the inflation problem just as seriously. If anything, the Bank of Canada has more wiggle room to be more aggressive with its rate hikes, given how incredibly strong the TSX and Canadian economy have been through these turbulent times.

Today, the TSX 60 is at a new high, yet the Bank of Canada still hasn't signalled a hawkish enough tone to fight off the pesky inflation that could plague us for the rest of 2022 and into the early innings of 2023. The last thing Canadians need is more inflation. Undoubtedly, cheap stocks with huge dividends could be the way for individual investors to fasten their seatbelts for another several months of unrelenting price increases. Everything is getting more expensive, and investors will need to keep up when it comes to their investments.

Equities are one of the better ways to beat inflation. In this piece, we'll look at two value stocks that I believe could allow you to leave the TSX and S&P 500 behind on a total returns front.

North West Company

North West Company (TSX:NWC) is a small-scale retailer that serves remote communities in northwestern Canada and the United States. The company has done well in a niche that's seen as less appealing by some of the more disruptive forces in retail.

Undoubtedly, North West may be viewed as a "moaty" firm within a mostly commoditized industry. Food inflation has taken a toll on consumers, but North West has done a decent job of managing through. At the end of the day, the firm sells necessities, and they'll be bought even as prices rise.

Today, the $1.8 billion company is ready to move higher, as the value trade heats up further. The stock has pretty much flatlined for a year and a half, but could be ready for a big breakout. At 12 times trailing earnings, with a 4% dividend yield, NWC stock is a gem that's worth hanging onto in another inflationary year.

TD Bank

TD Bank (TSX:TD)(NYSE:TD) is a blue-chip bank stock that most Canadians already own directly or indirectly through a fund or ETF. The bank is a beneficiary of rate hikes, as its net interest margins have the means to trend higher. Canada's banks are among the highest quality in the world. Amid this crisis, one that's seen commodities take off, Canada is in a unique spot. I suspect Canadian loan growth will continue to be robust, making TD and its peers more attractive than most other non-Canadian financial firms.

Further, TD will be busy integrating its First Horizons acquisition, which could act as jet fuel to the stock over the next five years. Indeed, TD is too cheap here at 12.9 times earnings, with its 3.5% yield. There are few better and safer ways to fight inflation and volatility at the same time. TD stock is a buy in my books.

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3. TSX:TD (The Toronto-Dominion Bank)

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