2 Dividend Rock Stars in Deep-Value Territory!

Description

Value stocks don't come around often, but when they do, prudent investors had better be ready to buy before the stocks have a chance to correct upwards to a price closer to their intrinsic value range. Today, the markets are in rally mode, erasing much of the losses posted in a bumpy first quarter. Whether the rally comes to a plunging halt remains to be seen.

With the war unfolding in Ukraine and COVID BA.2 (or stealth Omicron) cases picking up across North America, it seems as though the fundamentals have not improved since the bottom in March, when nothing but fear was in the air on Wall and Bay Street.

What changed other than the willingness for investors to take on more risk?

The U.S. yield curve inverted last Tuesday, signaling a potential recession that could arrive in early 2023 — not a good sign. Further, the U.S. Federal Reserve continues to be hawkish in spite of the potential economic drag that could occur as a result of faster and more furious interest rate hikes. Inflation isn't backing off. Though, investors do hope that U.S. inflation peaks out at around 8% and falls back to a more manageable level that doesn't need more than eight hikes moving forward.

It's hard to buy this rally as a value investor. That said, just because the macro isn't the best in the world doesn't mean there's no value in the individual names. In this piece, I'll bring two dividend rock stars to your attention that I'd be willing to buy more of right here, right now, regardless of what's to happen with the stock market's relief rally in Q2.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has slowly slipped into a correction but has since recovered a bit of ground. Indeed, the broader banking industry was in full-on rally mode for well over a year now. But did TD deserve to take on the most prominent hit when its multiple wasn't even the highest to begin with?

Probably not. Investors seem uneasy over the First Horizons acquisition, but they shouldn't be. The deal gives TD an even more dominant presence south of the border. With solid Canadian retail banking assets and an intriguing presence in online stock brokerages, it's tough to pass up the name with rates poised to rise to much higher levels from here. If anything, TD has the most to win with eight or more rate hikes in the cards.

For now, investors may fret over expenses that'll accompany the integration of First Horizons. In due time, though, expect the deal to bolster TD's impressive dividend-growth prospects. TD is a dividend rock star with staying power, and I like it even more after its big deal.

Fairfax Financial Holdings

I'm a huge fan of Prem Watsa's investment style. **Fairfax Financial Holdings** (TSX:FFH) has been sagging lower for many years, because Watsa's bets have simply not paid off in a quick manner.

The man is a value guy. But, most importantly, he's willing to be incredibly patient, making him one of the most patient money managers on the planet. He's also inclined to make very brave, bold bets in things he believes in.

Though his talent for betting on macro trends is suspect of late, I think there's no denying Fairfax's rise out of its slump. Every brilliant money manager has his down years, and I think Watsa could be in a spot to outperform, as almost everything else flops lower in what could be a recessionary environment.

The dividend yield of 1.8% is juicy, as too is the 4.5 times earnings multiple. D=Are you looking for deep value and a solid payout? You've got it!

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