



## 1 of the Brightest Dividend Stars to Watch While it's on Sale in April

### Description

Dividend stars don't go on sale very often. Usually, it takes a lot of fear and panic in broader market sentiment to propel such quality stocks into a rut. Today, there's no shortage of risk and things to worry about. The war in Ukraine, COVID, inflation, and a hawkish Federal Reserve could bring forth a stagflationary environment that could make it hard to generate the returns that many have grown accustomed to in the past. Could prospective returns really be on the lower end?

If worse comes to worst, then, sure, the stock market could retest the March lows and perhaps dip even lower. Whether or not we're in a bear market, though, remains a [mystery](#). If the Fed turns against investors amid ongoing headwinds, I'm afraid investors need to be prepared for the second emergence of the bear in around two years.

Things can get ugly, but they could also get better. In any case, I think it's reasonable as an investor to play both sides of the coin. Be ready for a worst-case scenario but stay invested. Remember, there are always things to worry about in markets.

### Stick with quality as market risks rise

While today's list may be longer than in the past, there is a chance that corporate earnings can remain robust. Demand is still strong, with many folks rising out of lockdown-induced turmoil. Although the Ukraine-Russia war could deliver a knockout blow to the world economy, there's also a chance that a peaceful resolution can be made, perhaps sooner than expected. Finally, COVID and coming variants could become more manageable, with the incredible innovations and preparedness of many nations who've adapted to the new normal.

If Fed rate hikes cool those hot CPI numbers, while global supply chain problems (especially in China) ease, inflation could become a thing of the past. And there is a slight chance that companies can continue growing their earnings at a solid rate in spite of the rate hikes. While a “soft landing” from the Fed’s rate hikes seems about as far-fetched as prior “transitory” views on inflation, I’d argue that investors may still have reason to give the Fed the credibility they deserve as they look to rip the band-aid off with the hope that markets won’t feel too much pain.

Could the Fed put still be on the table? Perhaps, but I think the Fed won’t alleviate its hawkishness until much lower levels. To beat inflation, stocks may have to increase their pain tolerance.

## Royalty in the Canadian banking scene

What can help ease the pain of volatility?

Look no further than **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), Canada’s largest company and one of the best-run banks, not only in Canada but the world. The bank is flirting with a [correction](#) after the past few weeks of industry-wide selling pressure. Although there are concerns that an economic slowdown could take a jolt out the big banks, as they look to expand upon their margins, I still think the next three years will be quite prosperous for the quality banks, as they look to raise the bar on their dividends.

Canadian banks are tested for economic hailstorms. Royal Bank is a king among men in the global banking scene. That’s why I think the recent near-correction is overblown. At 12.2 times trailing earnings, with a 3.5% dividend yield, you’re getting a bit more for less in this rocky road of a market.

Although Royal will not be spared from the road bump in the form of a potential 2023 recession, it can take a hard shot to the chin and be able to rise up faster than those in its peer group. If you’re a long-term investor, I think any dips in RY stock ought to be viewed as opportunities to average down one’s cost basis and average up one’s yield.

Arguably, young investors should hope for lower prices in a quality dividend star like Royal Bank.

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