2 Cheap Dividend Stocks to Buy in June 2022

Description

While the overall stock market corrected in May, Canadian energy stocks made new highs, as oil prices crossed US$115 per barrel. Oil and energy stocks are dividend seeker's favourites but buying them at their high means compromising dividend yields. But some good dividend stocks dipped in the May correction and are now rising with the market. This is the right time to buy these stocks and lock in higher dividend yields.

Two dividend stocks to buy in June

- **SmartCentres REIT** (TSX:SRU.UN): 6.34%
- **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN): 5.12%

SmartCentres REIT

The REIT saw a correction, as house prices fell in the Greater Toronto Area in April, and retail commerce felt the impact of the slowing economy in May. SmartCentres's biggest tenant **Walmart** felt the effects of rising inflation, as its latest quarterly earnings missed estimates. The retailer's stock fell 15% in May, pulling down the share price of its landlord SmartCentres by 2.6%. The REIT's stock price has dipped 11% since April 20, thereby increasing the distribution yield above 6%.

If the economy enters recession, the REIT could see some more correction, as rising interest rates could make mortgages expensive. Moreover, the impact on consumer spending could see weakness in the retail sector. But its significant rent exposure to Walmart and Walmart-anchored stores could help the REIT withstand the recession without significant distribution cuts.

Even if you look at its history, SmartCentres withstood the 2009 crisis and the 2020 pandemic crisis without any distribution cuts. Invest $5,000 in the REIT through the Tax-Free Savings Account (TFSA) and start earning $26 per month from June onwards. When the economy recovers, SmartCentres's share price could see double-digit growth.

Algonquin Power & Utilities stock

My next dividend stock pick is energy company Algonquin Power & Utilities. While oil and gas companies have made a new high, Algonquin stock fell 7.85% since the April high in the renewable energy selloff. While the company provides sustainable energy and water solutions, it is not a fully fledged renewable energy company.

Algonquin acquires underutilized hydroelectric, wind, solar and thermal power facilities and makes them efficient. Apart from power generation, it has a utilities business, where it distributes electricity, natural gas, water, and wastewater treatment. The utilities business earns regular cash flow that enables it to sustain a dividend yield of over 5%.

The company has acquired Liberty NY Water and will complete the acquisition of Kentucky Power Company and Kentucky Transmission Company by mid-2022. These facilities will increase Algonquin's recurring cash flow, and shareholders will benefit from dividend growth. Algonquin has been growing dividends for 11 straight years, of which the five-year average annual growth rate surpassed 11%.

The upcoming Kentucky acquisitions could drive Algonquin's capacity and give it access to a new region. With the winters nearing, utility companies will enjoy seasonal demand growth. Seasonal demand could drive Algonquin's share price. If you invest $5,000 now, you can get a quarterly dividend of $62.5.

Foolish takeaway

The above two dividend stocks have started rallying from their May dip. If you buy these stocks now, you can book a dividend yield of over 5% and a 7-10% capital appreciation. A $10,000 investment in the two stocks through the TFSA can earn you $1,250 in tax-free investment income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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