Market Correction: Buy the Dip on These 2 Dividend Stocks

### Description

The market correction is gaining momentum. Nearly every sector, from energy to technology, has seen a plunge in recent days. Growth stocks have been hit the hardest. But robust dividend stocks are down too, which could be an opportunity for investors to "buy the dip."



Here are the top two dividend stocks that should be on your radar during this correction.

## Dividend stock #1

**Dollarama** (TSX:DOL) is one of the few retail stocks holding steady, even as the overall market edges lower amid inflationary pressures and recession concerns. The stock has lost 7% of its value since April.

Investors are too worried about consumer sentiment, which is why all retail stocks are dropping lower. However, discount retailers like Dollarama are in better shape. In times of economic hardship, consumers turn to retailers offering the best deals to stay afloat.

Amid the inflationary pressure that has seen prices of basic items skyrocket, Dollarama has seen an influx in traffic. Despite increasing prices due to inflationary pressures, the most expensive item in the store is $5.

Dollarama stock has avoided some of the pain after the retailer delivered better than expected first-quarter sales numbers. The Montreal-based firm delivered a 12% increase in sales to $1.07 billion, beating consensus estimates of $1.03 billion. As a result, diluted earnings per share were up 32% to 49 cents from 37 cents delivered the same quarter last year.

These results underscore the relevance of the retailer's business model amid the economic climate. The discount retailer remains well-positioned to continue faring better than larger competitors as consumers resort to outlets offering affordable goods.

Trading at a price-to-earnings multiple of 22, Dollarama is a solid buy after the stellar financial results.

## Dividend stock #2

**Canadian Tire** (TSX:CTC.A) is one of the retailers during this market correction. The company's shares have stalled over the past year, as investors remain wary amid the inflationary pressures.

The stock is down 12.6% year to date. However, it delivered solid financial results in the first quarter. The retailer posted a 22.7% growth in net income that landed at $3.03 a share as retail sales increased 9.7% to $3.4 billion. A unique multi-category assortment across banners drove the better-than-expected results.

Canadian Tire has bounced nicely from the slowdown triggered by the pandemic. An increase in traffic to its retail stores continues to drive retail sales. In addition, a 25% dividend hike to $1.62 underscores its ability to generate significant free cash flow to distribute to investors. The dividend yield currently stands at 3.30%.

Amid the solid financial results and dividend hikes, it is important to be cautious about the stock going forward. Inflationary pressures could affect consumer spending power, which could affect demand for the retailer's products. Shares stalling in recent weeks could be an early warning that investors are increasingly developing cold feet.



However, the stock is trading at a discount with a price-to-earnings multiple of nine. That means a dip in consumer demand may already be priced in.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:DOL (Dollarama Inc.)

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**Date**
2025/07/19
**Date Created**
2022/06/16
**Author**
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