2 Dirt-Cheap Passive-Income Stocks to Buy in July

Description

As the market correction continues, many passive-income stocks will see their yields continue to climb above their historical ranges. Although there may not be much relief in sight, with the TSX Index that could fall into a bear market in the second half of 2022, I think the risk/reward scenario is far better today than it was just a month ago.

Although it seems riskier to be a buyer for stocks and REITs today, it's actually less risky to buy shares of a firm that sports valuation metrics on the lower end of the historical range. In this piece, we'll have a closer look at two dirt-cheap passive-income stocks that may be worth scooping up this July, even if the markets can do no better in H2 2022.

Though younger investors may wish to pursue fallen growth stocks, I think higher-yielding names are a better way to dampen the hit of high inflation. Without further ado, consider shares of **TC Energy** (TSX:TRP)(NYSE:TRP) and **CN Rail** (TSX:CNR)(NYSE:CNI).

TC Energy

TC Energy is a well-run pipeline firm that serves Canada, the U.S., and Mexico. Shares have come a long way since bottoming in 2020, but of late, the recent barrage of market volatility has caused shares to plunge into correction territory.

At writing, the shares of TC Energy trade at 20.1 times trailing earnings, with a well-supported 5.4% dividend yield. Undoubtedly, the past few weeks have been most unkind to the energy stocks. As a midstream player, TC Energy isn't as sensitive to near-term fluctuations in energy prices. Given how volatile commodities can be, it's the pipelines that passive-income investors should look to if they seek relative stability in this hailstorm of a market.

Indeed, not much has changed over the past few weeks when it comes to TC. It's still a cash cow that will continue to reward shareholders with dividend hikes over time. Though TC doesn't sport the highest dividend yield of all the pipeline plays, I think it's hard to match TC in terms of dividend growth.

CN Rail

CN Rail is the iconic railway that we're all familiar with. It's a top component in many TSX mutual funds and ETFs. Though investors may have some exposure through such investments, I'd argue there's a strong case for getting overweight the name, as shares continue to slump in anticipation of a drastic economic slowdown.

Sure, CN and the rails are pretty sensitive to the economy. With Canada's GDP growth shrinking to a mere 0.3%, it seems like we're going to flirt with a recession. Even in a worst-case scenario, CN Rail stock tends to bounce back quickly once the worst of the recession is in. And despite its economic sensitivity, CN Rail stock doesn't fall nearly as much as broader markets because dip buyers know a recovery is inevitable, and CN tends to be one of the first firms to storm out of the gate.

With such a wide moat and new managers that could unlock long-term value, I'm staying bullish on the name while its dividend yield swells above 2% — the highest it's been since the depths of the 2020 market crash.

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Author
joefrenette