2 Undervalued Dividend Stocks to Buy Today

Description

Stock markets have not had a good year in 2022, as several macroeconomic factors combined to catalyze a devastating pullback across the board. The **S&P/TSX Composite Index** is down by 11.18% year to date at writing, and even the Canadian energy sector has lost its bullish momentum.

Investing in growth stocks has taken a backseat, as investors look to flee riskier assets. Unfortunately, the overwhelming panic created by the harsh economic environment has led to several high-quality stocks being oversold by stock market investors. Several of the top dividend stocks are among equity securities unfairly sold off, lowering valuations and inflating dividend yields.

Let's take a closer look at two of the undervalued dividend stocks that you could consider investing in to take advantage of inflated dividend yields and attractive valuations amid the market pullback.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is an $83.09 billion market capitalization Canadian bank. The Montreal-based multinational financial institution is among Canada's Big Six banks, and it has been facing the impact of the market pullback in recent weeks.

The Canadian bank's performance in the last few quarters, however, has been excellent. It is in the middle of a deal to acquire Bank of the West in the U.S. to expand its presence across the border and unlock more revenue streams.

Bank of Montreal stock trades for $123.78 per share at writing, and it boasts a juicy 4.49% dividend yield. It is down by almost 20% from its 52-week high, and it is trading for an attractive 9.23 forward price-to-earnings multiple at current levels. It could be an excellent addition to your portfolio to lock in its high dividend yield and capture capital gains when it recovers its valuation.

Dream Industrial REIT

Dream Industrial REIT (TSX:DIR.UN) is a $3.08 billion market capitalization real estate investment trust (REIT) headquartered in Toronto. The open-ended REIT primarily invests in industrial properties located in key markets throughout Canada and the U.S.

Its performance in recent quarters has been good. The REIT posted a net rental income of $65.3 million in its recent-most quarter, 40% higher than in the same period last year.

Dream Industrial REIT trades for $12.08 per unit at writing, and it boasts a juicy 5.77% forward dividend yield. It is down by a massive 31.36% from its 52-week high, and it trades for a 14.18 forward price-to-earnings ratio. It could be an attractive investment for you to consider at current levels.

Foolish takeaway

Dividend investing has been a more popular way to allocate capital for many Canadian investors, as opposed to investing in growth stocks. Even the best blue-chip dividend stocks are not immune to the impact of a market pullback. However, the aspect of earning reliable passive income through regular shareholder dividends makes these income-generating assets attractive investments to consider.

Bank of Montreal stock and Dream Industrial REIT boast the potential to help you generate a steady stream of income at inflated yields during the market pullback. Investing in and holding onto shares of the two dividend stocks can also help you capture wealth growth through capital gains when markets recover and valuations improve.

CATEGORY

1. Dividend Stocks
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