Beginners: 2 Dividend Growers I'd Pounce on Before a Relief Rally

Description

Beginner investors may be a bit rattled after the first-half volatility storm. However, it's a good idea to resist the urge to sell and act on emotion. Indeed, it would feel great to rid your portfolio of certain securities that weighed down your TFSA or RRSP most during the first half.

By doing so, you may be leaving yourself (partially) on the sidelines once the market finally does bottom and is ready to move higher again. Naturally, one may assume that markets will bottom once all the recession chatter dies down. However, by the time we are in a recession, the market may already be focused on the ensuing recovery. That's the nature of markets. It's looking ahead by anywhere from a year to 18 months, not to the present or the past. That's why timing the markets is a dangerous game if you're unable to tell the future!

In this piece, we'll have a look at two solid dividend growers that could power the next relief rally once the market is ready to start being productive again.

At writing, many stocks seem like babies thrown out wither the bathwater. Though you'll do well with many beaten-down dividend-growth stocks, I'd argue that quality names with proven track records are the names to put atop one's personal shopping list.

Currently, I'm a fan of **CN Rail** (TSX:CNR)(NYSE:CNI) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

CN Rail

CN Rail is one of the most robust dividend growers in Canada. The stock may be in for a further slip, as Canada looks to fall into a recession. Even if the coming downturn proves more severe, I'd argue that CN Rail has more than what it takes to weather the storm and continue raising the bar on its payout. CN Rail bounces back from market plunges quite quickly. Despite its sensitivity to the state of the economy, many investors know that CN Rail always manages to get back on its feet.

The coming recession will be no different. I think CNR stock is a relative bargain at just 21 times trailing earnings, with its more than 2%-yielding dividend, which is likely to grow more than 10% annually moving forward. Sure, a 2% yield isn't exciting. However, every year of dividend growth will allow investors to get a generous raise annually.

Royal Bank of Canada

Royal Bank of Canada is another large-cap Canadian stock that can never be held down for too long a duration. As loan growth slows, Royal and the broader Big Six could be in for more turbulent times. Still, higher interest rates and a more abrupt recovery could bode well for quality bank stocks here.

At writing, I think Royal is one of the best buys of the batch. It's at the top of the TSX for a reason. As management braces for a "moderate and short-lived" recession, the stock is unlikely to get slammed as it did during the 2008 stock market crash.

The stock trades at 11.14 times trailing earnings, with a 4% dividend yield.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
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Date

2025/08/25
Date Created
2022/07/17
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