My 2 Favourite Dividend Stars to Buy Now for September

Description

September may not be the seasonally strongest period for markets, but I think the stage is set for a continuation of the rebound we witnessed during most of the summer. Undoubtedly, rates and a hawkish central bank are nothing to grow euphoric over, especially with a downturn just a few months away. The biggest upside, I believe, comes from corporate earnings and the economy's ability to take the hit of a few rate hikes.

The economy isn't as fragile as it seems. Many companies have clocked in stellar results in the face of profound headwinds. COVID headwinds, inflation headwinds, and labour woes have all taken a toll. Yet many firms have found ways to adapt through effective management. As markets turn against the rally buyers, I think it's a great time to buy the dip.

The bear market has dragged on for many months and may be closer to an end than many think. If a mild recession is priced in, and there's no recession, I expect to see the TSX and S&P 500 right back to new highs, potentially by the year's end. Of course, avoiding a recession may prove difficult, as consumer balance sheets have taken endless hits via inflation for most of the year.

Without further ado, here are two cheap dividend stocks I'd love to buy before September rolls around.

Enbridge

Enbridge's (TSX:ENB)(NYSE:ENB) 6% dividend yield is a thing of beauty. It's not only safe, but it's secure and ready to grow amid industry tailwinds. Enbridge's payout has been stress-tested for many years, as the energy market plunged into the abyss. Though pundits slammed Enbridge for maintaining and hiking dividends through its darkest days, it won the love of many passive-income investors in the process.

The firm knew the tides would turn in its favour again. And, in 2022, it did just that, with oil breaking the US$100 mark for the first time in a long time. The oil and gas boom has since cooled off, but Enbridge is in great shape to transport liquids that are in high demand.

The payout ratio of 140% is quite stretched, but with intriguing projects to power free cash flow, I'd look for more of the same out of Enbridge: very generous dividend hikes.

TD Bank

TD Bank (TSX:TD)(NYSE:TD) is a banking behemoth that outclassed its peers in the Big Six banking scene this latest quarter. Loan losses surged for some of its peers, but TD held its own rather well, thanks in part to net interest income growth of 10%.

As a retail-flavoured bank, higher rates really helped hold the fort up. Though expenses rose 1% quarter over quarter, TD seems in just fine shape to ride out a "mild" recession over the next four quarters.

It's not just macro headwinds that are in store for 2023; the First Horizons acquisition is slated to close in Q1 2023. A Cowen deal will also help TD take its capital markets segment to the next level. With a 4.13% dividend yield, TD seems like a steal amid its bear market moment.

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Author
joefrenette