2 Simple Dividend Stocks to Buy in the Fall

Description

You don't need to be an investment guru or strategist to [outdo the markets] as we move into year's end. Indeed, bear markets seem to be more about "who can lose the least" rather than "who can gain the most." Undoubtedly, risk sentiment took a 180-degree turn, and all it took was a year for euphoria to turn to panic and fear.

Rates are rising, and we don't know when they will peak or fall again. Ultimately, inflation's moves from here will dictate what happens to rates and how severe the blow will be to economic growth. In any case, investors should stay with profitable companies and avoid paying up questionable multiples for battered and unprofitable growth stocks. If you can't value a stock because it has no earnings, it may be better to opt for an easier-to-understand firm. There's no harm in doing such. Sometimes, simplicity is the key to doing well in the complicated world of investing.

In this piece, we'll look at three simple stocks that look like a superb value in September.

National Bank of Canada

National Bank of Canada (TSX:NA) has been dragged lower alongside the rest of the Big Six banks. The stock is down more than 17% from its high, with an alarmingly low 8.9 times trailing price-to-earnings (P/E) multiple — well below industry averages and National Bank's historical average P/E multiple.

Undoubtedly, investors are bracing for loan losses to eat into profits following a "mixed-bag" third quarter that saw EPS (earnings per share) come in just a penny ahead of the estimates ($2.35 vs. the $3.34 consensus). The EPS number was down around 8% from the last quarter. A weaker capital markets business and unimpressive fees helped weigh down the quarter.

Despite the underwhelming results and expectation for darker days ahead, I remain a raging bull on National. The coming recession is likely to be mild, and with Canadian banks boasting some of the best common equity tier-one (CET1) ratios out there, even a perfect storm will not be able to sink the banks. They're resilient in the face of harsh climates and will be one of the first to surge once the 2023 recession or slowdown concludes.

At 1.6 times price to book (P/B), NA stock looks like a relative bargain in the banking scene.

Laurentian Bank

Sticking with the banks, we have **Laurentian Bank** (TSX:LB), which got hammered last week, crashing around 15%, thanks partly to some brutal quarterly results. The Quebec-focused bank boasts a mere $1.5 billion market cap and is one of the smaller regional banks in the Canadian scene.

Though the third-quarter EPS numbers came in just a penny shy of the consensus, investors grew concerned over the weakness in NIMs (net interest margins), which came in at 1.83%, well below guidance for NIMs above the 1.9% mark. Provisions came in at $16.6 million, over a million more than the consensus.

The mid-cap bank is battening down the hatches ahead of a recession. And though the quarter was a vast disappointment, I'd argue the double-digit percentage decline was overblown. After such a flop, LB stock trades at 0.6 times price-to-book (P/B), making it one of the cheapest stocks in the banking scene.

Sure, there's baggage and a tough environment ahead, but at today's depressed multiples, I'd argue there's a wide margin of safety to be had.

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