2 Bargain Stocks You Can Buy Today and Hold Forever

Description

Buying stocks during a market correction takes courage, but the long-term rewards can be significant for patient investors. One popular strategy involves buying top TSX dividend stocks and using the distributions to acquire new shares. Investors seeking to develop a dividend reinvestment strategy may want to indulge in these two Canadian dividend aristocrats while they are undervalued.

Bank of Montreal

Bank of Montreal (TSX:BMO) (NYSE:BMO) has unquestionably earned its crown as a dividend aristocrat – a company that has paid out a consisent and increasing dividend for at least 25 years. BMO paid its first dividend in 1829. Since then, investors have received a piece of the profits every year. Bank of Montreal raised the dividend by 25% late in 2021 and then hiked the payout by another 4.5% when the bank reported fiscal Q2 2022 results.

This would suggest the management team is comfortable with the profits outlook. Investors, however, aren't convinced. The stock is down from a 2022 high of $154 to the current price near $121 per share.

Recession fears are building as persistent inflation and aggressive rate hikes combine to hit household and business budgets. People are using more of their discretionary income to cover expenses for essential goods. Some are now dipping into savings. This trend is expected to continue as mortgage holders face higher rates on renewals.

While an economic downturn is expected, the general consensus is for a mild and short recession. With that though in mind, the pullback in Bank of Montreal's share price looks overdone.

The bank is spending big bucks to drive future growth in the United States. Bank of Montreal is buying **Bank of the West** for US$16.3 billion in a deal that will add more than 500 branches to the existing American operations. Bank of the West gets 70% of its deposits from customers in California, so the deal gives Bank of Montreal a strong foothold in the state.

Investors who buy BMO stock at the current level can puck up a decent 4.6% yield. A $10,000 investment in BMO stock 25 years ago would be worth more than $100,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS) (NYSE:FTS) raised its dividend in each of the past 48 years. The company grows revenue and profits through a combination of strategic acquisitions and development projects. Fortis hasn't done a large deal for more than five years, but it wouldn't be a surprise to see another acquisition emerge in the near term. The company added a mergers and acquisitions specialist to the leadership team in 2021.

Fortis is currently working on a $20 billion capital program that will increase the rate base by more than $10 billion to above $41 billion by the end of 2026. This will drive revenue and cash flow growth that management says will support planned dividend hikes of about 6% per year through 2025.

Fortis stock trades near $56 at the time of writing compared to a 2022 high around $65. The company gets 99% of its revenue from regulated assets such as power generation plants, electricity transmission networks, and natural gas distribution businesses. These are essential services that are required regardless of the state of the economy.

A $10,000 investment in Fortis stock 25 years ago would be worth about $160,000 today with the dividends reinvested.

The bottom line on cheap stocks to buy now

Bank of Montreal and Fortis pay good dividends that should continue to grow. If you have some cash to put to work in a portfolio focused on passive income and total returns, these stocks look cheap right now and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)

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