2 Oversold Dividend Stocks to Stash in Your Portfolio

Description

It's tough to be a buyer these days when you're almost certain to feel like a fool (that's a lower-case *f*) in just a matter of days. We're in a nasty bear market where the gravitational pull on share prices seems hard to avoid. Undoubtedly, nobody knows when the bear market will end and when stocks will bottom out. It depends on when central banks are ready to give us investors a break.

Indeed, the Federal Reserve and Bank of Canada want to see consumers pullback on their expenditures, even if takes an uptick in unemployment. Inflation has grown out of control, and it's central banks' job to put the genie back in the bottle. It will not be easy, but I think much of the damage has already been done to stocks.

The S&P 500 fell more than 25% off its high, with the Nasdaq 100 plunging by more than a third. Meanwhile, the TSX Index is just one or two really bad days away from entering a bear market of its own. The bond market is also under considerable pressure, making it nearly impossible to escape the 2022 gravitational pull of asset prices.

These horrible times for your portfolio probably won't last long, though. When the last bull turns to a bear and throws in the towel, we may have more upside pressure than downside. Indeed, the gravitational pull may go from down to up and it may not take much to flip the switch, given today's oversold conditions.

In this piece, we'll check out two oversold dividend stocks that I believe are more than worth stashing in your Tax-Free Savings Account (TFSA) right now.

Magna International

Magna International (TSX:MG) is an auto-parts maker that's been feeling the heat of the emerging macro headwinds. Undoubtedly, anything auto-related tends to be cyclical and incredibly sensitive to chatter about where the broader economy is headed. Right now, things seem grim, as the Fed continues to cut inflation down, even if it means cutting GDP.

Though we're not in a recession yet (at least not officially), I think there's already a lot of downturn baked into MG stock right here. Remember, stocks tend to sell off in anticipation of changes. And right now, there's too much fear and worry about earnings deterioration.

The stock is down more than 46%, marking one of the worst plunges since the 2020 market crash that saw MG shares take a 50% haircut off its highs. At $67 and change per share, I view Magna as a cyclical that could face outsized upside once this bear market ends, whether it be next month, next quarter, or next year. Sure, there will be pain, as orders wind down and the stock's price-to-earnings (P/E) multiple (currently at 21.5) expands as a result of earnings erosion. With a 3.4% dividend yield, MG seems more like a buy after its overblown flop.

Manulife Financial

Manulife Financial (TSX:MFC) is another economically sensitive stock that's been hit hard; it's now off around 22% from its 52-week highs.

Indeed, Manulife's long-term growth story is still in play. Secular tailwinds (think the Asian business) will help Manulife take its growth to the next level. Until then, the world is in panic mode amid geopolitical issues and rising interest rates.

Though recessions are hard on life insurers (due to their nice-to-have nature), I think the damage is already overdone. MFC stock goes for just 5.65 times trailing P/E. That's indicative of a value trap. However, I believe Manulife is one of the most fundamentally sound single-digit P/E companies out there. The 6.1% dividend yield is also more than worth reaching for.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:MGA (Magna International Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Investing

Date
2025/08/24
Date Created
2022/10/23
Author
joefrenette