Is It Too Late to Buy and Hold Cheap Dividend Stocks?

Description

The stock market rally following the 2020 market crash has caused many shares to trade at significantly higher prices. Despite this, it is still possible to purchase cheap dividend stocks in order to obtain a generous passive income and the potential for capital growth.

Through focusing on their quality and future prospects, an investor can realistically build an attractive portfolio of income shares. On a relative basis, it could deliver high returns in a low interest rate environment.

Cheap dividend stocks may still be available

While the recent stock market rally has pushed many share valuations to higher levels, some sectors remain modestly valued in comparison. Within them it may be possible to buy cheap dividend stocks, since bullish investors may have turned their attention to other industries that apparently offer higher growth rates at the present time.

For example, a number of strong businesses in the retail and consumer goods sectors appear to have bright long-term outlooks. Moreover, they seem to have the financial means to overcome future risks from a challenging economic outlook to produce a rising dividend payout for investors. Due to weak investor sentiment at the present time, they could offer the potential to generate impressive total returns in the coming years.

Focusing on the quality of income shares

Of course, not every cheap dividend stock could be worth buying at the present time. The world economy has experienced one of its biggest ever shocks in recent months. As such, high dividends from previous years may fail to be paid in future. Similarly, some companies may struggle to survive difficult operating conditions should they have large debts or weak cash flow.

Therefore, it is important to check the quality of any stock before buying it. This can mean taking steps such as reading its latest investor updates, assessing its strategy, and analysing recent annual reports. Doing so allows an investor to build a picture of the company in question so they avoid potentially unattractive investments. Moreover, they may be able to find the strongest businesses that trade at the lowest prices. They could prove to be the most appealing cheap dividend stocks to buy at the present time.

Considering the relative appeal of dividend shares

While cheap dividend stocks may be less prevalent than they were several months ago due to the stock market rally, their relative appeal appears to be high. The world is currently operating in a low interest rate environment that could persist for a number of months, or even years.

Therefore, relying on other income-producing assets to generate a passive income may prove to be a disappointing move. By contrast, the return potential from dividend shares that trade at low prices could be highly attractive from a long-term standpoint.

CATEGORY

1. Investing

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Date
2025/08/18
Date Created
2021/03/26
Author
peterstephens