

Got \$2,000? Buy These 2 Top Dividend Stocks That Are on Sale Right Now

Description

The Canadian market is trading today at roughly the same price it was at the beginning of 2020. It's been a wild ride over the past 11 months, as investors have experienced all kinds of volatility.

A market crash of close to 35% has been followed by a bull run of more than 50%. But even after the Canadian market grew more than 10% in November from positive vaccine news, there is still plenty of uncertainty in the short term of the stock market.

Investing in dividend stocks

Dividend-paying companies likely won't earn investors double-digit growth on an annual basis. What they can provide is stability during volatile market periods and a steady stream of passive income. Of course, not all dividends are guaranteed, though, which many investors were reminded of this year.

The devastating effects of the pandemic forced a list of TSX stocks to cut their dividends to conserve capital. We've also seen many dividend stocks hold strong and continue their incredible dividend-paying streaks, some of which have lasted more than a century.

Dividend stock #1: Bank of Montreal

All five of the major Canadian banks were hit hard by the COVID-19 pandemic. Interest rates were lowered by the government to help stimulate the damaged economy, which led to a major decrease in profits for the banks.

Along with many other TSX stocks, the <u>banks had a very strong showing</u> in November. Prior to the beginning of November, **Bank of Montreal** (<u>TSX:BMO</u>)(<u>NYSE:BMO</u>) stock was down more than 20% on the year. The dividend stock then rallied more than 15% in the month of November.

Even after a 15% run, Canadian banks are still very undervalued at today's prices. BMO trades at a very affordable price-to-book (P/B) ratio of 1.2 and a forward price-to-earnings (P/E) ratio of just 10.3.

Of the five major Canadian banks, BMO is trading at the lowest P/B ratio and the third-lowest forward P/E ratio.

In addition to being undervalued, a high dividend yield is another characteristic that the Canadian banks share.

BMO's annual dividend of \$4.24 per share is equal to a yield of 4.3% at today's stock price. Not only that, the Montreal-headquartered bank has been paying a dividend to its shareholders for an unbelievable 190 years.

Dividend stock #2: Sun Life Financial

Sun Life Financial (TSX:SLF)(NYSE:SLF) isn't a bank stock, but it's one of the largest TSX stocks in the financial services sector in Canada. In addition to providing wealth management services, the \$30 billion company is also Canada's second-largest insurance provider, behind **Manulife Financial**.

Sun Life stock has followed a similar path to the Canadian banks this year. The stock was hit hard when the pandemic first hit but has done a respectable job of gradually rising since April. Still, Sun Life stock is down about 5% on the year.

It may be a slow grind back to pre-COVID-19 net income levels, but there is still plenty of growth left in the tank for this dividend stock. The company has its eye on an aggressive expansion plan in Asia. Roughly 20% of Sun Life's earnings are already generated from its Asian region, which includes the Philippines, Hong Kong, Indonesia, Vietnam, Malaysia, India, and China.

Even with an aggressive expansion plan, Sun Life is no growth stock. The company is a value play today that offers an impressive dividend.

The stock trades today at a very favourable forward P/E ratio below 10 and a P/B ratio of 1.4.

Sun Life's annual dividend of \$2.20 per share is good enough for a yield of about 3.8% at today's stock price.

The dividend yield may be lower than that of BMO stock, but Sun Life offers investors a higher growth potential over the long term.

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TICKERS GLOBAL

- 1. NYSE:BMO (Bank of Montreal)
- 2. TSX:BMO (Bank Of Montreal)
- 3. TSX:SLF (Sun Life Financial Inc.)

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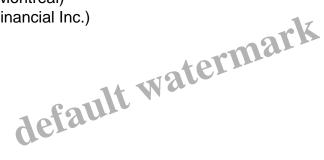
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