



Attention Dividend Investors: These 2 Stocks Still Look Oversold

Description

The rout in the commodities space is serving up some interesting value plays that also offer attractive dividend yields.

Here are the reasons I think investors should consider **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)).

Potash Corporation

The past year has been a volatile one for shareholders of Potash Corporation, but the recent move off the lows suggests the market is realizing the sell-off is probably overdone.

Wholesale fertilizer prices have weakened over the past six months, and that is having an impact on the stocks of crop nutrients providers.

What's going on?

In the potash space, major producers are fighting for market share at a time when the market is oversupplied. The thing investors should keep in mind is the fact that global potash demand remains very strong and is expected to grow for decades as farmers use more crop nutrients to meet rising food demand.

Potash Corporation specifically looks attractive because it is completing a major capital program, and that should free up cash to support the dividend.

The company just dropped its US\$8.7 billion bid to buy German producer K+S AG. This too should alleviate concerns that the dividend could be at risk.

Potash Corporation expects Q3 earnings to be US\$0.35-0.45 per share. Full-year 2015 earnings should be US\$1.75-1.95 per share.

The company pays a quarterly dividend of \$0.38 per share that yields about 7%. If potash and nitrogen

prices really crash in the next year or two, the dividend might have to be revisited, but the distribution looks safe for the time being.

As a long-term bet, the stock looks like a good contrarian pick at the current price.

TransCanada

TransCanada's stock is down more than 20% this year. The oil rout has kept investors away from any company connected to the energy sector, and analysts are concerned the company's Keystone XL and Energy East pipeline projects might not be built.

The major projects certainly have some hurdles to clear, and investors should probably put a 50% chance on both when evaluating the stock. At this point, I think the negative sentiment is already baked in, and any positive developments could send TransCanada much higher.

The market appears to be ignoring the fact that TransCanada still has \$12 billion in new projects that are moving along quite well, and should be in service by 2018. That is good news for investors because the company expects to raise the dividend by 8-10% per year through 2017.

The current annualized dividend of \$2.08 already yields 4.6%, so new investors are looking at a nice return that is not only safe, but also projected to grow at a healthy clip.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

Date

2025/08/04

Date Created

2015/10/15

Author

aswalker

default watermark