2 Top Dividend-Growth Stocks I'd Buy With an Extra $10,000

Description

The pullback in the stock market is giving investors a rare opportunity to pick up some top quality dividend-growth stocks at very attractive prices.

Here are the reasons why I think investors should consider **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Telus Corporation** (TSX:T)(NYSE:TU) right now.

CIBC

CIBC is the baby of the Big Five banks and the one with the greatest exposure to a weak Canadian economy.

Analysts are concerned that a meltdown in the housing market will hit CIBC harder than its peers, and the point is valid, but a gradual slowdown is more likely than a crash, and CIBC is well positioned to ride that out.

The company finished Q4 2015 with $163 billion in Canadian residential mortgages on its books. The insured portion represents 64% or the portfolio and the loan-to-value ratio on the uninsured mortgages is 61%.

This means housing prices would have to drop significantly before CIBC would see any material impact.

The bank has $6.1 billion of drawn exposure and total direct exposure of $17.3 billion to the energy sector. More than 75% of the exposure is investment grade, so the risks should be manageable. CIBC is very well capitalized with a CET1 ratio of 10.8%.

The stock pays a quarterly distribution of $1.15 per share that yields 5%.

Telus

Telus is a dividend-growth machine. The company has raised the payout 12 times in the past five years, and the strong trend should continue.

The stock has been under some pressure as the Canadian TV market heads for major change. Beginning in March, TV service providers have to offer customers scaled down packages starting at $25 with the option to pick and pay for additional channels.

Telus has avoided the temptation to plough billions of dollars into media assets, and that means it isn't at risk on the content side of the equation. As for subscriptions, I suspect most people will simply add the channels they want until they reach their current monthly payments.

Pundits are also concerned that **Shaw's** purchase of Wind Mobile will present an added competitive threat to Telus. The two companies are battling it out for TV and Internet subscribers in western Canada, but Shaw's move is more targeted at reducing its client losses on the cable side than trying to steal mobile business from Telus, which already has attractive and very competitive mobile packages.

Telus pays a quarterly dividend of $0.44 per share that yields 4.7%.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:TU (TELUS)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:T (TELUS)

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