3 Oversold Dividend Stocks for Income Investors

Description

Dividend investors have a wide variety of choices right now with some stocks offering unbelievable yields.

The trick in the current environment is to pick the names that can sustain the payout and also offer strong upside potential when the market recovers.

Here are the reasons why I think investors should consider **TransCanada Corporation** (TSX:TRP)(NYSE:TRP), **Inter Pipeline Ltd.** (TSX:IPL), and **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR).

TransCanada

TransCanada has been under pressure because investors are concerned the oil rout will put a dent in the company's growth prospects. President Obama's rejection of the Keystone XL pipeline project also hasn't helped.

The market seems to be ignoring the fact that TransCanada has $11 billion in smaller projects that are moving along nicely and should be in service by 2018. That will boost cash flow and should support further increases in the dividend.

In recent days, the stock has picked up a bit of a tailwind because it looks like the provinces might actually come to an agreement on TransCanada's $15.7 billion Energy East pipeline. A lot of work still has to be done and there is no guarantee TransCanada will meet its 2020 in-service target, if at all, but the surge shows how much potential is lying in the stock.

TransCanada pays a quarterly dividend of $0.52 per share that yields about 4.4%.

Inter Pipeline

Inter Pipeline is a niche player in western Canada. The company moves about 35% of the country's oil sands production and 15% of the region's conventional oil output.

The oil crisis in the energy patch has hit this stock hard, but the selloff looks way overdone. Inter Pipeline's oil sands clients might be slowing down or delaying their expansion plans, but there is little risk that they will shut down production. The costs are simply too high to stop producing, even at current prices.

Inter Pipeline also has a strong liquids storage business in Europe that is doing very well, and the completion of a new storage facility in Saskatchewan later this year will add a new stream of revenue.

The company recently increased its dividend by more than 6%. The current monthly payout of 13 cents per share yields an attractive 7.3%. Once oil begins to recover this stock should move significantly higher.

Shaw

Shaw is in the middle of a major transformation, and that has investors feeling nervous about future earnings and dividend growth.

The company has agreed to purchase Wind Mobile in a deal that will give Shaw the mobile business it needs to compete on a level playing field with **Telus** in western Canada. This is important because Shaw has been losing TV customers, and the ability to offer bundled TV, mobile, and Internet packages should help slow down the losses and even give the company a chance to start winning back subscribers.

At the same time, Shaw is selling its media assets to **Corus Entertainment**. This will provide the funds needed to pay for the Wind Mobile deal and will unload the company's media risks just as the Canadian TV market moves to a pick-and-pay system.

Shaw pays a monthly dividend that yields about 5%. The distribution should be safe, and investors could see some strong gains in the stock once the smoke clears on all of the transactions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:SJR.B (Shaw Communications)
4. TSX:TRP (TC Energy Corporation)

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