2 Attractive Dividend Stocks I'd Buy With an Extra $10,000

Description

The market recovery is reducing the yield on Canada's top stocks, but some dividend names are still trading at attractive prices.

Here are the reasons why I think investors with a bit of cash on the sidelines should consider **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Inter Pipeline Ltd.** (TSX:IPL).

TransCanada

TransCanada took a hit last year as oil plummeted and President Obama rejected the Keystone XL pipeline.

The decision on Keystone is disappointing for the company and its shareholders, but the project could go ahead if the Republicans win this year's election. Right now, the market is not pricing that possibility into the stock.

If Keystone doesn't get built, there are still several reasons to own TransCanada.

The company currently has $13 billion in projects on the go, and those are expected to be completed and in service by 2018. As a result, revenue and cash flow should rise over the next few years, and TransCanada plans to raise the dividend by 8-10% through 2020.

TransCanada is also growing through acquisitions. Management just announced a deal to buy Texas-based **Columbia Pipeline Group Inc.** for US$13 billion. The purchase gives TransCanada a new pipeline network that runs from the Gulf of Mexico to New York and places it in a strong position to benefit from growth in the hot Marcellus and Utica shale gas plays.

Here in Canada, TransCanada plans to build the Energy East pipeline. The project is still working through the process of getting all the affected stakeholders on board, and that could delay the construction timeline, but I think Energy East will eventually be built.

The stock still sits well below its 12-month peak, and any good news on Energy East or a further rebound in oil should drive the share price higher. TransCanada currently pays a quarterly dividend that yields 4.5%.

Inter Pipeline

Inter Pipeline transports 35% of Canada's oil sands production and operates a growing bulk liquids storage business in Europe.

The stock has taken a hit along with the rest of the energy sector, but the sell-off looks overdone.

Why?

Funds from operations in Q4 2015 came in at $211 million, up 32% from the same period in 2014. Two new pipelines drove oil sands funds from operations up 62% for the quarter and stronger utilization rates in Europe pushed funds from operations in the storage business up 79% compared with the same period in the previous year.

The strength in these two divisions offset a weak year in the company's natural gas extraction group. The conventional oil operations are holding their own as growth in the Viking light oil play countered a slowdown in other areas.

Inter Pipeline increased its dividend by 6% last November. The current monthly distribution of 13 cents per share offers a yield of 5.9%.

The stock has recovered some of the losses from last year, but investors still get a great dividend and the name should see more upside as oil prices recover.

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Date
2025/09/12
Date Created
2016/04/12
Author
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