2 Canadian Dividend Stocks on Sale Today

Description

Investors are searching for quality dividend stocks to add to their income portfolios.

Let's take a look at **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks right now.

CIBC

CIBC is trading at a significant discount to its peers. In fact, at nine times trailing earnings, some pundits would say the stock is priced as if we were in another financial crisis.

What's going on?

CIBC is the most exposed of the Big Five banks to a meltdown in the Canadian housing market and also has a relatively large portfolio of energy loans.

If Canadian house prices fall off a cliff, bank stocks will get hit, and CIBC would likely fall more than its peers. That said, the bank has put its loan book through stringent stress tests and said last year that a 30% slide in house prices combined with an 11% unemployment rate would result in mortgage losses of less than $100 million.

This sounds like a big hit, but it really isn't in the grand scheme of things.

Analysts broadly expect the housing market to cool off at a measured pace, but in the event things get ugly in a short period of time, CIBC is capable of riding it out.

Management recently secured a deal to buy Chicago-based PrivateBancorp in a move that diversifies the revenue stream and provides a nice base to expand CIBC's U.S. presence.

The current dividend should be safe, even if Canada hits a rough patch. At the time of writing, investors can pick up a yield of 4.7%.

IPL

Inter Pipeline owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

The diversified revenue stream has helped the company navigate through the oil rout in decent shape, and management has taken advantage of the downturn to add strategic assets at attractive prices. In addition, IPL has about $3 billion in development projects under consideration.

The newly acquired assets, along with the organic capital projects, should provide revenue and cash flow growth to support dividend hikes in the coming years.

IPL reported record results in Q1 2017 and has a dividend payout ratio of 61%. That should give the company ample breathing room to maintain or increase the distribution, even if oil remains in a slump.

IPL’s stock is down with the broader energy sector and now trades close to its 12-month low.

The dividend is paid monthly and provides an annualized yield of 6.5% at the current stock price.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for a dividend portfolio.

At this point, IPL provides a better yield and probably offers more upside torque if oil prices start to recover. As such, I would probably make the energy infrastructure company the first choice.

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