Investors Need to Consider These High-Dividend-Yielding Stocks

Description

Over the past year, investors hoping to see the price of oil stabilize have had their hopes dashed, as the gains made by the commodity in the early part of the year were given back. Oil fell to less than US$43 and oil stocks followed suit.

Given the number of companies in the sector, investors have a variety of risk/reward alternatives to choose from — from oil-exploration companies, which are the most risky, to pipeline companies, which carry the least amount of risk. When investors consider the fundamentals of each business, it is critical to understand why the price per barrel of oil is so critical for certain companies but not for others.

When considering the price per barrel of oil, each exploration company must first estimate how much oil is in the ground and the cost to extract the oil before beginning any project. If the price per barrel of oil is less than the cost of extracting the oil from the ground, then no profitable projects will be undertaken. The price per barrel of oil is critical for these companies.

Moving on to oil pipelines — many investors are seemingly aware that the price per barrel of oil (although important) is not as critical. Assuming a higher price per barrel of oil, there will be more oil produced, and therefore more oil will flow through the pipelines. This leads to higher revenues. The main difference between oil pipelines and oil-exploration companies is the effect of low oil prices.

For pipelines, there is a decline in revenues. For oil-exploration companies, there could be a cessation of operations altogether, and, at best, no new projects will be undertaken.

For investors wishing to consider the two dividend kings of the oil sector, the first opportunity lies in shares of **Inter Pipeline Ltd.** (TSX:IPL), which offers a dividend yield of 6.5% at current prices. Although the price of oil has declined substantially, shares of the company have only lost approximately 8.5% over the past 52 weeks. As the company carries oil regardless of the price per barrel, investors are more patient with this name. The stocks beta is no more than 0.31 as many income investors continue to enjoy the monthly dividends.

The second opportunity for low-risk investors seeking high dividends in the oil industry lies with **Pembina Pipeline Corp.** (TSX:PPL)(NYSE:PBA). Shares, which currently trade near the $43 mark, offer investors a dividend yield of slightly less than 5%. Given that the company continues to pay and increase the dividend in these difficult conditions, investors need not worry about its long-term sustainability.

Currently, the company pays a monthly dividend of $0.17 per share, per month, and the company carries a beta of 0.34. Again, this a very low-volatility stock.

As many investors have lost a considerable amount of money in the oil industry in the past few years, it is important to be reminded that opportunities come when you least expect them. Given that oil has continued to flow despite the lower prices, investors might just make a lot of money over the long term.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/24
Date Created
2017/07/31
Author
ryangoldsman