



Dividend-Growth Investors: 2 Top Canadian Stocks Look Oversold Today

Description

Once in a while, the market serves up an enticing buying opportunity on top-quality dividend stocks.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) to see why they might be interesting picks right now.

CIBC

CIBC is trading at a significant discount to its peers.

Why?

The bank is widely viewed as the most likely of the Big Five to take a nasty hit if Canadian house prices tank.

CIBC certainly has high housing exposure on a relative basis, but the mortgage portfolio should be capable of riding out a downturn. At the end of fiscal Q2 2017, the uninsured component of the housing loans had a loan-to-value ratio of 55%.

Management said last year that a 30% drop in house prices and 11% unemployment would result in mortgage losses of less than \$100 million.

That sounds like a lot, but it really isn't when you consider that the total mortgage book is above \$200 billion.

CIBC is diversifying its revenue stream via its recent acquisitions in the United States, and investors could see more action in the coming years.

At the current stock price, investors can pick up a 4.7% yield. The dividend should be safe, even if the Canadian housing market hits a meaningful rough patch.

Enbridge

Enbridge closed its acquisition of Spectra energy earlier this year in a deal that created North America's largest energy infrastructure company.

Spectra added strategic gas assets to complement Enbridge's heavy focus on liquids pipelines and provided a nice boost to the capital plan. In the Q2 2017 earnings report, Enbridge says it has \$31 billion in commercially secured development projects on the go that should be completed in the medium term.

As these assets go into service, Enbridge expects cash flow to increase enough to support dividend hikes of at least 10% per year through 2024.

The stock has come down amid the broader weakness in the energy sector and now provides a dividend yield of about 4.7%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for an income portfolio.

At this point, Enbridge probably offers better dividend-growth prospects in the next few years, so I would make the pipeline giant the first choice today.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)

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