Apple Inc. Is Taking Advantage of Canada's Low Rates: Should You, Too?

Description

Canada's bond market has caught the attention of one of the world's most powerful companies, **Apple Inc.** (NASDAQ:AAPL).

The company plans to issue seven-year bonds in the Canadian dollar to take advantage of the country's low interest rates before the central bank accelerates its monetary tightening.

According to media reports, Apple, now with its first Canadian dollar debt, may issue seven-year bond to raise a minimum $1.5 billion.

Apple will join other global corporate bond issuers, such as **AT&T Inc.,** that have benefited from the competitive pricing in the Canadian dollar bond market this year, driven by still low interest rates and an investor search for yield and diversity.

Maple bonds are securities in the Canadian dollar offered by foreign companies. Borrowers will generally issue in the Maple Bond market and swap the proceeds back into their funding currency of choice.

Canadian retail investors are unlikely to get hands on this prized issuance, because Maple Bonds are usually sold in private placements to large institutional investors.

High-quality dividend stocks

However, the timing of Apple's entry in the Canadian market is a reminder to income investors that this extremely low interest rate environment has run its course, and they should be ready to re-evaluate their portfolios.

As the Canadian economy fires on all cylinders, and the Bank of Canada readies its next possible rate hike in October, there are some high-yield, quality dividend stocks trading at attractive valuations.

The biggest opportunity I see is in the banking stocks that have lost their shine due to weakening housing sales and worries that rising interest rates will further slow this important segment of the economy as the cost of mortgages rise.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) are my top picks. After a recent pullback in their shares, their dividend yields are in the range of 4-5%. I feel there is a good window opportunity to add these names in your income portfolio.

Investing in Canadian banks can also help you to beat inflation as these lenders regularly increase their dividends.

Insurance companies are another asset class which performs well during interest rate hikes. Insurance companies invest a significant amount of their cash reserves in fixed-income securities, like bonds, to cover potential liabilities. Rising bond yields improve their returns, and that extra cash improves their earnings.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) and **Manulife Financial Corp**. (TSX:MFC)(NYSE:MFC) are the two quality names that I recommend to play the Canadian economic strength. The two top insurers offer dividend yields in the range of 3-3.6% with a potential of further growth.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:AAPL (Apple Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. NYSE:MFC (Manulife Financial Corporation)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:CM (Canadian Imperial Bank of Commerce)
6. TSX:MFC (Manulife Financial Corporation)
7. TSX:SLF (Sun Life Financial Inc.)
8. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing
4. Tech Stocks

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2017/08/16
Author
hanwar