4 Dividend Stocks to Buy as Interest Rates Rise

Description

On September 6, the Bank of Canada surprised some analysts by raising its interest rate a month earlier than originally expected following impressive economic results from Statistics Canada. The S&P/TSX Index responded with slight losses as anxiety remains in markets due to rising rates. This tightening environment brings new opportunities for investors.

We will look at four dividend stocks that could perform well in these conditions.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock fell 0.57% on the same day the Bank of Canada announced its interest rate move. TD Bank was among other lenders that raised the base rate in response to the move. The bank is coming off an earnings report on August 31 that blew away expectations. It saw net income rise 14% with solid growth in Canadian and U.S. sectors. The continued normalization of interest rates will improve profits on loan products, but tightening may slow sales growth. The stock boasts a dividend of $0.60 per share, representing a dividend yield of 3.61%, providing nice income during a volatile time in the market.

Cineplex Inc. (TSX:CGX) stock has had a tumultuous 2017 thus far, falling 25% in 2017. Its latest second-quarter earnings report was a disappointment as profits fell from $7.2 million in Q2 2016 to $1.4 million this year. Attendance dropped by 400,000 in the wake of one of the worst summer box offices in years for North America. Cineplex, however, could benefit from higher consumer spending as the economy improves. Spending on entertainment usually spikes during these periods, and there's a slate of big films on the table for the fall and winter months that could give Cineplex a boost. The stock also offers a dividend of $0.14 per share — a dividend yield of 4.41% at offering.

Leon's Furniture Ltd. (TSX:LNF) stands to benefit from increased consumer spending in a positive economic environment. The company released its second-quarter results on August 10. It experienced sales growth of 4.9%, and net income increased by 28.4%. Leon's is the largest home retailer in Canada, and as housing prices fall, home owners may focus on renovation and decoration in anticipation of a recovery in the fall. The stock has a dividend of $0.12 per share, representing a dividend yield of 2.67%.

Keg Royalties Income Fund (TSX:KEG.UN) stock tracks the financial performance of The Keg Steakhouse and Bar restaurant company. The company reported second-quarter results on August 10 and saw sales increase 6.3% from Q2 2016. Restaurants are another area that see marked growth during good economic times. The Keg has looked to branch out from merely an event-based location to one that appeals to a millennial and professional base, offering after-work menu options meant to attract customers who may be more apt to visit a casual environment. The stock boasts a dividend of $0.09 per share and a tasty dividend yield of 5.49%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CGX (Cineplex Inc.)
3. TSX:KEG.UN (The Keg Royalties Income Fund)
4. TSX:LNF (Leon's Furniture Limited)
5. TSX:TD (The Toronto-Dominion Bank)

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