2 Rising Dividend Stocks That Still Look Cheap

Description

Income investors are always searching for attractive deals on quality dividend-growth stocks.

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

CIBC

CIBC trades at a significant discount to its peers.

Why?

The bank is perceived as being a riskier bet due to its exposure to the Canadian economy and, more specifically, to the housing market and energy sector.

As interest rates rise, investors fear that homeowners will be forced to sell their properties, triggering a crash in house prices. It's true that a total meltdown would be negative for CIBC, but the bank is well capitalized, and its mortgage portfolio is capable of riding out a downturn. Most pundits expect a gradual pullback in the housing market.

Regarding energy loans, the oil sector appears to be through the worst part of the crash.

CIBC is taking steps to diversify its geographic presence through acquisitions in the United States. The recent deals should help mitigate some of the risk in Canada and provide a solid platform for further expansion south of the border.

The stock is up about 5% in the past month, but it still trades at less than 10 times trailing earnings, which is much lower than the 11.5-13 times earnings investors are paying for the larger Canadian banks.

The dividend should be safe and currently yields 4.75%.

Altagas

Altagas owns gas, power, and utility assets in Canada and the United States. The company has grown over the years through a combination of organic projects and strategic acquisitions, and that trend continues.

Altagas is expanding its Townsend gas-processing facility and constructing a new propane export terminal in British Colombia.

The company is also in the process of buying Washington D.C.-based WGL Holdings for $8.4 billion.

Investors have reacted negatively to the deal amid concerns the company might not be able to sell some non-core assets it plans to unload to help cover the cost of the acquisition. Once a sale is announced, the stock should move higher.

Altagas expects the WGL purchase to close next year and is targeting dividend growth of at least 8% per year through 2021 following the integration of the new assets.

The stock is up 5% in the past month, supported by a shift of funds back into the broader energy sector. More gains could be on the way, given the steep sell-off this year.

Altagas pays its dividend monthly and still provides an annualized yield of 7%.

Is one more attractive?

Both stocks still look undervalued and pay attractive dividends. At this point, I would probably split a new investment between the two names.

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aswalker