

2 High-Yield Canadian Stocks for Income Investors

Description

Canadian income investors are searching for quality companies that offer above-average yields.

Let's take a look at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **Inter Pipeline Ltd.** (TSX:IPL) to see why they might be interesting picks.

CIBC

CIBC currently trades at a significant discount to its peers, and the lower stock price has bumped up the dividend yield to attractive levels.

In fact, CIBC's quarterly payout now provides an annualized yield of 4.7%.

Investors are concerned that CIBC's heavy exposure to the Canadian economy could put the stock at risk if things get ugly, especially in the housing market.

Rising interest rates are the big issue right now, given the amount of debt being carried by the average Canadian. There is a fear that people might be forced to sell their homes, and in the event that a wave of selling hits the market, prices could tumble significantly.

Investors have to keep the possibility in mind when evaluating CIBC, but the bank is more than capable of riding out a pullback.

Insured mortgages make up a significant part of the portfolio, and the loan-to-value ratio on the rest is low enough that house prices would have to fall a long way before the bank took a big hit.

The company is well capitalized, and while house prices are expected to fall, a total meltdown isn't the likely scenario.

Management can't be overly concerned about the revenue and earnings outlook. The company increased the dividend when it released the fiscal Q3 2017 results.

The stock has rallied about 5% in the past month after a pullback that saw it drop from close to \$120 per share in March to below \$105 in recent weeks. At 10 times trailing earnings, CIBC still appears somewhat oversold.

Going forward, CIBC's recent acquisitions in the United States should provide a better hedge against weakness in the Canadian economy.

IPL

IPL owns natural gas liquids (NGL) extraction assets, conventional oil pipelines, oil sands pipelines, and a liquids storage business in Europe.

The company has raised the dividend in each of the past three years, and more increases should be on the way.

Why?

IPL has taken advantage of the downturn to add strategic assets at attractive prices, including the \$1.35 billion purchase of two NGL extraction facilities from The Williams Companies.

The deal was done at a significant discount to the cost of building the assets, so there is an opportunity to see some strong returns on the investment when the market improves.

In addition, IPL has \$3 billion in development projects under consideration that could provide a nice boost to cash flow in the next few years.

The stock is up about 10% in the past month, driven by a rebound in oil prices and new money flowing into the energy sector.

At the time of writing, the dividend still provides a yield of 6.3%.

Is one a better bet?

Both stocks still look oversold and offer attractive dividends that should be safe. The best bet might be to split a new investment between the two stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2017/10/08

Author

aswalker

default watermark

default watermark