Are These 2 Dividend Yields Safe?

Description

The S&P/TSX Index continued to display impressive momentum. The index closed at 16,108 points on November 24, less than 20 points off the all-time high that it reached earlier in the month. With the Canadian economy showing signs of slowing in the August 2017 GDP report, investor sentiment may cool along with it.

Let’s take a look at two high-yielding dividend stocks today, and whether or not the high yields are secure heading into 2018.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is a Calgary-based multinational energy company. Currently, Enbridge boasts a dividend of $0.61 per share, representing a 5.1% dividend yield.

Shares of Enbridge have declined 16.1% in 2017 as of close on November 24. In a recent article, I’d discussed how oil could continue its impressive climb into the final weeks of 2017. After the crucial OPEC meeting on November 30, Enbridge could benefit from some added momentum for oil.

Unfortunately for investors in Enbridge, the oil rally has not translated to a positive performance for Enbridge stock. Enbridge has suffered from a plethora of controversies associated with its ongoing pipeline projects — in particular, its Line 3 pipeline replacement in Minnesota. The Minnesota Department of Commerce concluded that “Minnesota would be better off if Enbridge proposed to cease operations of the existing Line 3.” The Minnesota Public Utilities Commission (MPUC) is expected to come to a decision in the second quarter of 2018.

Enbridge released its third-quarter results on November 2. The company posted net earnings of $765 million, or $0.47 per share, compared to a net loss of $103 million, or $0.11 per share, in Q3 2016.

Corus Entertainment Inc. (TSX:CJR.B) is a Toronto-based media and broadcasting company. In a mid-November article, I’d covered the decline of legacy media and how it could impact the future of Corus stock. Corus stock has dropped 7.4% in 2017 and 2.5% year over year. The company released its fourth-quarter results on October 18.

Consolidated revenues were down 1% year over year in Q4 2017, and the company posted consolidated segment profit growth of 2%. Television segment revenues were static in the quarter and were up 51% in all of 2017. Radio segment revenues dropped 5% with segment profit down 2%, advertising revenues also declined by 5%. The numbers correlated with a recent CRTC survey that showed traditional television and radio consumption were down in 2016, while digital platforms saw impressive growth.

Corus stock offers a very attractive dividend of $0.09 per share, representing a 9.7% dividend yield. The company has managed to post solid growth due to a number of successful acquisitions, but recent earnings have shown a decline in television and radio segment revenue.

Which stock should you own going forward?

Enbridge faces a key obstacle as the MPUC will determine the fate of its operations in Minnesota. However, with oil prices showing positive momentum to finish 2017, the stock could be a fantastic bargain considering its strong dividend yield.

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