2 Rising Canadian Dividend Stocks With Above-Average Yields

Description

Dividend investors are always searching for top-quality companies to add to their income or retirement portfolios.

Let's take a look at two Canadian heavyweights that are enjoying nice rallies, yet still offer attractive yields.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC is up nearly 10% in the past three months, and more gains could be on the way.

Why?

The stock took a hit earlier this year, as investors started to get worried about a potential meltdown in the Canadian housing market.

CIBC has the largest exposure to the sector, on a relative basis, compared to its heavyweight peers, and the company has a history of taking substantial hits when big bets go bad.

As a result of the sell-off, the trailing price-to-earnings (P/E) multiple dropped below 10 in recent months, presenting a great opportunity for bargain hunters to pick up the stock.

Even after the latest rebound, CIBC still trades at about 10.5 times trailing 12-month earnings, which is a significant discount to the other big Canadian banks.

House prices continue to rise on a year-over-year basis, even after two rate hikes, and fears about a total meltdown are starting to fade, so CIBC could see more investors get bullish on the stock in the coming months.

The company recently raised the dividend and additional hikes could be on the way as this year's acquisitions in the United States contribute to earnings.

At the time of writing, the dividend provides a yield of 4.5%.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE rarely drops to the point of being oversold, but the stock pulled back from $62 per share in April to just below $58 in September. At that point, dividend fans started to jump back in, and the stock is now taking a new run at the 2017 high.

BCE isn't going to shoot the lights out on the growth side, but the company continues to expand its dominant position in the Canadian market.

The acquisition of Manitoba Telecom Services earlier this year pushed BCE into top spot in the Manitoba market and sets the company up for an expansion of its presence in the western part of the country.

BCE generates significant free cash flow and has the power to raise prices when it feels it needs a bit of extra cash, so investors shouldn't have to worry about the safety of the dividend.

As data use grows, subscribers are paying more per month on their mobile accounts. In addition, BCE's Fibre-To-The-Home (FTTH) rollout gives it an important competitive advantage in the market for internet and Fibe TV services.

Investors are starting to shrug off the fears that higher interest rates will hit the telecoms, and BCE's recent rally could continue to a new all-time high in the next few months.

The stock currently provides a yield of 4.6%.

Is one more attractive?

CIBC definitely comes with more risk, but the bank still looks oversold, so investors with a contrarian style might want to make the baby of the Big Five the first choice.

Otherwise, BCE is a proven buy-and-forget pick for dividend investors who don't want to monitor their holdings every day.

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