3 Dividend Stocks to Seek Out as Growth Sparks Rate Tightening

Description

The global economy posted perhaps its most impressive year since the 2007-2008 Financial Crisis. The International Monetary Fund (IMF) saw its global growth projections surpassed in 2017 at 3.6% and advanced economies moved up 2.2%. Economic improvement is expected to encourage further rate hikes. This should motivate investors to review their portfolios in anticipation of at least two more rate hikes from the Bank of Canada in 2018 if growth maintains its current pace.

Let's take a look at three stocks to focus on in this changing environment.

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

CIBC stock has increased 11% in 2017 as of close on December 19. Shares have jumped 5.7% month over month, powered by impressive fourth-quarter results released on November 30.

CIBC saw its quarterly profit climb 25% to $1.16 billion from $931 million in the fourth quarter of 2016. Its U.S. banking division reported impressive results with net income jumping to $107 million from $23 million in the prior year. CIBC boasted a quarterly dividend of $1.30 per share with a 4.2% dividend yield at offering.

The bank could see even better numbers in its U.S. division in 2017 with tax reform dropping the corporate rate to 21% from 35%. In October, I'd discussed why tax reform could be a big boost for Canadian banks with a substantial U.S. footprint. In addition, CIBC and other banks could see credit margins improve as rates gradually rise. This should offset loan losses that appear likely due to more stringent mortgage rules in Canada coming in 2018.

Richelieu Hardware Ltd. (TSX:RCH)

Richelieu distributes, imports, and manufactures specialty hardware and complimentary products. Shares of Richelieu have climbed 32.2% in 2017. The company released its third-quarter results on December 12.

Richelieu saw sales jump 25% to $253.2 million and net earnings attributable to shareholders rose

4.9% to $18.1 million. Board members approved a modest dividend of $0.06 per share with a 0.6% yield. Richelieu also announced the acquisition of a key distributor in Ohio.

Improving economic conditions tend to be a positive atmosphere for hardware and home improvement retail stores. Richelieu has experienced a very positive 2017, even as retail sales for home materials and hardware were slower in the summer months.

CI Financial Corp. (TSX:CIX)

CI Financial is a Toronto-based wealth management company. CI Financial stock has increased 2.2% in 2017. The company released its third-quarter results on November 9.

Average assets under management grew 7% to $120.3 billion from $112.2 billion in the prior year. Net income experienced a 3% increase to $140.8 million. The company declared a quarterly dividend of $0.12 per share, representing a 4.3% dividend yield.

Domestic and international growth should spark more activity from retail investors. Wealth management companies like CI Financial will be counting on the global growth trend to continue into 2018, with the hope that rising rates do not threaten much of the credit-fueled rise.

CATEGORY

1. Investing

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2. TSX:CIX (CI Financial)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:RCH (Richelieu Hardware Ltd.)

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