Ring in 2018 with These 2 Dirt-Cheap High-Yield Dividend Stocks

Description

2017 was an incredible year for many red-hot growth stocks. It may be tempting to load up on more of these high-flyers with your 2018 TFSA contribution, but as we head into a new year, it may be wise to take a step back and perhaps trim the year's biggest winners to ensure that your portfolio is not overexposed to a single sector like tech.

As we head into the new year, FAANG, tech stocks and other red-hot growth gems will likely continue to surge, but before you back up the truck on more of these growth names, you may want to consider some unloved value stocks instead. That way you'll be insulated from single-sector risk should another tech sell-off present itself as it did earlier in the month.

If tech has grown to become a huge chunk of your portfolio, you're at risk should another growth-to-value rotation present itself in 2018. I think old-fashioned value stocks could make up for lost time going forward, especially once higher multiple growth stocks start running out of steam.

Here are two value stocks that you may want to keep an eye on as we head into the new year:

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge is one of the best dividend-growth kings in North America. The company has rewarded investors with generous dividend hikes on a consistent basis, and they're continuing to do so despite recent issues that have punished the stock.

Shares are now down ~25% from all-time highs, with a bountiful 5.46% dividend yield, which is substantially higher than its historical average yield. Enbridge is a relatively low-risk, high-reward play for income investors who can stomach a bit of short-term volatility.

Cineplex Inc. (TSX:CGX)

I've warned investors that Cineplex was ridiculously overvalued before its shares plunged ~33% peak-to-trough this summer, but after the correction, I think the company's shares now offer compelling value to income investors who believe in the company's abilities to diversify away from the movie and popcorn business.

With a 4.43% yield, about ~1% higher than its historical average yield, investors have the opportunity to collect generous payouts while they wait for the company to beef up its general entertainment offerings like Rec Rooms, Topgolf, and most recently, Playdium.

I'm bullish on the Cineplex as a general entertainment company, but investors need to realize that it could take many years before general entertainment diversification efforts will send shares on a sustained rally to higher levels.

In the nearer term, I do think the box office drought is coming to an end, thanks in big part to **Walt Disney Company** (another value stock that could have a huge 2018), and I believe that should propel shares slightly higher over the next year.

Bottom line

Young investors should be focused on growth and capital gains, but that doesn't mean going all-in on FAANG. Undervalued income stocks present an opportunity not only for retirees, but also for young investors who intend to reinvest these dividends within their TFSAs.

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Date
2025/09/21
Date Created
2017/12/27
Author

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