

## 2 Undervalued Stocks With High Dividend Yields to Buy Now

### Description

It's generally not a good idea to buy a dividend stock just because it offers a high yield. But sometimes the market presents opportunities that are hard to ignore.

Smart investors always look for undervalued stocks that are hit hard due to some short-term threats or one or two earnings' misses. That temporary pullback in the share price makes their dividend yields attractive enough for long-term investors, whose investment objective isn't to make a quick kill and run.

Here are two stocks from different sectors of the economy that are in an oversold territory and should catch your attention.

#### Laurentian Bank of Canada

Montreal-based [Laurentian Bank of Canada](#) (TSX:LB) is a smaller lender when compared to the "Big Five" lending institutions in Canada, with a market capitalization of just over \$2 billion.

The company mainly operates in eastern Canada, providing banking services to both individuals and companies. It also owns B2B bank, which specifically serves business customers.

Its stock has been under pressure since the bank announced its fourth-quarter earnings, disclosing that an internal audit found "documentation issues and client misrepresentations" on some mortgages it had sold to a third-party company.

This piece of news was enough for skittish investors to exit this trade, reminding them of the saga [Home Capital Group Inc.](#) faced last spring, taking this top non-bank lender to near collapse after the Ontario Securities Commission accused it of making misleading statements to investors about its mortgage underwriting business.

But I think Laurentian Bank's problems are contained, and the lender has been very up front about them and resolving the issues. Earlier this month, the lender said it had repurchased \$180 million of problematic mortgages it identified late last year, while increasing the total target for its buybacks to ~\$392 million.

This amount is a fraction of the \$36.7 billion portfolio of loans and acceptances that 172-year-old lender manages. There is no doubt this problem will linger for a couple more quarters and will keep its share price depressed, but investors shouldn't ignore its juicy 4.7% dividend yield, which is backed by a strong name and a potential for regular payout hikes.

After ~12% plunge in its share price in the past three months, Laurentian Bank now trades at \$53.38, close to the 52-week low and well into an oversold territory. The bank pays a quarterly payout of \$0.63, which has increased with a compounded annual growth rate of about 6% during the past five years.

## IPL

As oil prices recover, the window of opportunity on Calgary-based **Inter Pipeline Ltd.** (TSX:IPL) is closing fast.

Since August, IPL stock has surged 15%, trading at \$25.65 at the time of writing. The company pays a \$0.14-a-share monthly dividend at an annual yield of 6.8% — a very attractive return in this market.

IPL's 10% total return during the past five years doesn't look attractive. But keeping things in perspective, this was the period when oil prices plunged from more than \$100 a barrel and entered a long-term bearish spell.

Now that the oil recovery has started to take hold, this pullback should be a buying opportunity for long-term investors, especially at a time when IPL plans to invest heavily in future growth.

On December 18, the company announced that it will build a \$3.5 billion petrochemical plant in central Alberta — its largest investment, which is expected to provide attractive profit margins given strong polypropylene prices in North America.

### The bottom line

Investing in stocks with high dividend yields is a good strategy if the companies have solid and growing businesses. History tells that the shares of these companies get back to their trend lines after temporary drags.

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