2 Top Canadian Dividend Stocks to Buy in a Volatile Market

Description

In a market when volatility at its peak, it's tough for new investors to make an investment decision.

After a straight move during the past many years, stocks have been in a roller-coaster ride in 2018. *Bloomberg Markets* reported last week that there had already been three times as many moves of 1% or more in the S&P 500 this year than there were for the whole of 2017.

So, if investing in typical growth stocks, such as technology companies, is no more a profitable trade, then which stocks offer a better option for new investors? I'm a big fan of the companies that reward their investors with regular dividends and come from mature segments of the economy.

Here are my two top dividend stocks from Canada that offer good value for buy-and-hold investors.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is one of the top banks in Canada with a strong overseas presence.

According to a recent report by *Bloomberg News*, the country's six largest lenders are approaching their strongest capital position since 2013, leaving them with enough resources to pursue acquisitions, buy back shares, or build from within. Last year CIBC bought Chicago-based PrivateBancorp for $5 billion, the largest takeover in CIBC's 150-year history.

But amid the recent market volatility, CIBC stock has been hit hard. After falling ~10% this year, CIBC stock now yield 4.8% in annual dividend yield, offering the best return among the top five Canadian lenders.

Despite this pullback, I don't see this weakness lingering for the rest of the year. In an environment when interest rates are rising, and the Canadian economy is showing signs of strength, banks are likely to perform much better than other sectors.

In the fourth-quarter earnings report, CIBC reported a very strong profit, which jumped 25%, helped by better-than-expected performance in its U.S. operations. On an adjusted basis, CIBC's profit rose to $2.81 a share, up 8% from $2.60 per share a year ago, beating the $2.59 forecast by analysts surveyed by **Thomson Reuters**.

I think this 10% dip in CIBC stock from the 52-week high offers a good entry point to long-term investors, especially when its dividend yield has gotten higher than its five-year average, and its forward P/E multiple of nine is much lower than its average.

Fortis

Just like banks, Canadian utilities offer another attractive avenue for dividend investors. In this space, I like St. John's-based **Fortis Inc.**

(TSX:FTS)(NYSE:FTS) due to this company's impressive history of rewarding investors.

Fortis provides electricity and gas to 3.2 million customers in the U.S., Canada, and the Caribbean countries, with its U.S. operations accounting for 59% of its regulated earnings.

In order to grow and diversify its revenue base, Fortis acquired assets in the U.S. and Caribbean countries in recent years. It bought ITC Holdings Corp., a Michigan-based electricity transmission company, for US$11.3 billion in 2016, partnering with Singapore sovereign wealth fund GIC Private Ltd.

The ITC deal helped increase cash flow from operating activities, which rose 46% to $2.8 billion in the fourth quarter. The company reported a 65% jump in the net earnings attributable to common equity shareholders to $963 million for 2017, or $2.32 per share, when compared to 2016.

Trading at $41.98 at the time of writing, Fortis stock yields 4% after a ~14% plunge from the 52-week high. With a 6% increase planned each year for the next three years in its annual payout, I think Fortis is a good value stock for income investors.

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Date
2025/08/14
Date Created

2018/04/14
Author
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