3 High-Yield Canadian Dividend Stocks That Look Oversold Today

Description

Rising interest rates are putting pressure on dividend stocks amid concerns that investors could dump equities in favour of fixed-income alternatives.

A shift of funds should be expected, but the pullback in some stocks might be overdone, providing contrarian income investors with a chance to pick up some potential deals.

Let’s take a look at three companies that offer above-average yield and growing dividends.

AltaGas

AltaGas Ltd. (TSX:ALA) owns power, gas, and utility businesses in Canada and the United States. The company has grown over the years through a combination of organic projects and strategic acquisitions, and that trend continues.

AltaGas wrapped up its Townsend 2A and North Pine projects in British Columbia late last year and is making good progress on its Ridley Island propane export terminal in the province. In addition, AltaGas is working through the final stages of its $8.4 billion purchase of Washington, D.C.-based WGL Holdings.

Once the deal closes, AltaGas expects the development portfolio to support continued dividend growth. The company raised the payout by more than 4% last fall.

The market has had some concerns that AltaGas might be biting off more than it can chew with the WGL purchase, but the recent announcement of a deal to sell a 35% stake in its Northwest BC Hydro Electric facilities for more than $920 million should calm investor nerves.

At the time of writing, the stock provides a yield of 8.3%.

Once the WGL deal closes, investors could see money start to flow back into the stock.

TransAlta Renewables Inc. (TSX:RNW)

TransAlta Renewables owns hydroelectric facilities, wind farms, gas-fired power generation, and solar power businesses.

The company reported steady Q1 2018 results, with a 16% increase in cash available for distributions compared to the same period last year.

Management raised the dividend by nearly 7% last year, and additional gains could be on way in 2018, supported by the purchase of new wind assets from the parent company, **TransAlta Corp.**

At the time of writing, TransAlta Renewables provides a 7.5% yield.

Algonquin Power and Utilities Corp. (TSX:AQN)(NYSE:AQN)

Algonquin is based in Canada but gets more than 90% of its consolidated revenue from businesses it owns in the United States. The company continues to make strategic acquisitions and is pushing ahead with organic developments to grow its renewable energy portfolio of wind, solar, thermal, and hydroelectric assets.

Management already raised the dividend by 10% for 2018, and investors should see the payout continue to grow in the coming years.

Investors who buy today can pick up a yield of 5.2%.

Is one more attractive?

All three stocks pay above-average dividends that should be safe. If you only choose one, AltaGas might be the most oversold, so I would probably make it the first pick today.

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