2 Rising Dividend Stocks That Could Go Much Higher

Description

Buying top-quality dividend stocks when they are in recovery mode can lock in attractive yield and generate some impressive gains in the stock price.

Let's take a look at two Canadian companies that might be interesting picks right now.

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

CIBC is trading at $121 per share at the time of writing, up from the 2018 low near $110 it hit in April.

Investors finally started to figure out that the stock was priced at financial crisis levels — without a bloodbath on the horizon. Today, CIBC still trades at an attractive 10.8 times trailing 12-month earnings, compared to multiples above 13 times for three of its larger peers.

The bank's large exposure to the Canadian housing market certainly poses some risk, but a soft landing is more likely than a meltdown and CIBC has made important moves to diversify its revenue stream over the past year. The company invested US$5 billion to acquire Chicago-based PrivateBancorp last summer. The deal provided a strong base to expand the company's presence in the U.S. market, and investors should see additional acquisitions in the coming years, primarily in the wealth management space.

Rising interest rates could put some pressure on mortgage growth, but CIBC and the other banks should benefit from the accompanying boost in net interest margins.

CIBC has a strong track record of dividend growth. The current payout provides an attractive 4.3% yield.

Enbridge (TSX:ENB)

Enbridge traded for $38 per share four months ago. Today, investors are paying $47, which is still a long way off the $65 high.

The market is starting to feel more comfortable with the outlook for the balance sheet after the massive $37 billion acquisition of Spectra Energy last year. Enbridge has committed to sell about $10 billion in non-core assets and has already found buyers for about $7.5 billion of the target. Given the robust demand, management might decide to trim the portfolio even more as Enbridge works toward its goal of essentially being an operator of regulated assets.

The company has a solid development portfolio, which should support ongoing dividend growth. Enbridge raised the payout by 10% for 2018. At the time of writing, the dividend provides a yield of 5.6%.

The bottom line

CIBC and Enbridge offer above-average yield and appear to be on the upswing. If you have cash sitting on the sidelines, it might be a good time to add the two companies to your dividend portfolio while they are still reasonably priced.

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Date
2025/09/12
Date Created
2018/08/21
Author

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