Tread Cautiously With These 3 Dividend Stocks That Won't Keep You Up at Night

Description

Although the **S&P/TSX Composite Index** (TSX:^OSPTX) has recovered some of its losses of the prior week, the fact is that the TSX index appears to be hitting resistance levels and is sitting in a precarious position.

Its recovery from 2016 lows has been historic, bouncing back a full 28% to today's levels of roughly 15,400.

But watch out for the following headwinds:

High household debt levels, rising interest rates, and valuations that appear stretched are all plaguing the TSX index and its constituents.

So where should investors turn?

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Here are three stocks I would buy now for their dividend yields and their strong, secure businesses.

TransCanada Corp. (TSX:TRP)(NYSE:TRP)

For over 65 years, TransCanada has been developing and maintaining energy infrastructure, while handsomely rewarding shareholders.

And with a current dividend yield of 5.28%, it's hard to find a safer income stream at these levels than this one.

Since 2000, TransCanada stock has provided shareholders with a 13% average annual return while delivering yearly dividend increases, bringing the dividend per share from $0.80 to $2.76.

The recent approval of LNG Canada's proposal to build the LNG plant is another driver for the stock, resulting in the company moving ahead on its Coastal GasLink natural gas pipeline. This will also have a positive effect on investor sentiment toward TransCanada stock.

TransCanada stock currently has an attractive dividend yield of 5.32% with above average, visible growth and an infrastructure presence that should ensure strong growth well into the future.

Investors can expect continued dividend growth of 8% to 10% through to 2021.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA)

Pembina is a pipeline and midstream company whose stock is currently yielding an attractive 5.15%.

And its dividend has been increased annually by approximately 5%, so investors also get gooddividend growth with this stock.

While the payout ratio became elevated a couple of years ago, the company has and will continue to get it down to comfortable levels in the next few years due to strong performance by the company's premium assets as well as attractive investment opportunities.

Pembina's dividend coverage is strong, debt leverage is low, and need for capital form the equity markets is low, thereby making it a top pick for RRSP investors.

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

CIBC stock's divided yield is currently a healthy 4.68%, and the bank has increased its dividend several times in the last few years.

In the last year alone, the dividend was increased 8.8% to the current $5.44 per share, signifying management's confidence in the business.

The company remains one of the least expensive Canadian banks on a price to earnings multiple basis partly due to its past, but also due to the fact that it remains one of the most heavily weighted toward Canada and toward personal and mortgage lending.

The bank's recent U.S.-based PrivateBancorp acquisition has been a good one in terms of diversification and efficiency gains.

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