3 Unloved High-Yield Stocks That Could Soar in 2019

Description

Income investors are constantly searching for dividend stocks that offer above-average yield.

Once in a while, the market goes sour on certain sectors, providing an opportunity to pick up companies with solid distributions and a shot at some nice potential upside in the stock prices.

Let's take a look at three Canadian dividend stocks that might be interesting picks for your 2019 portfolio.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada trades at $54.50 per share. A year ago investors paid more than $61 to buy the stock.

The entire energy infrastructure sector has been under pressure for most of 2018, which is primarily due to concerns over rising interest rates and the ongoing challenges in getting major pipelines built.

These are valid concerns, but TransCanada has a significant portfolio of development projects that should keep the company busy for several years. In fact, TransCanada has a secured capital program of $36 billion through 2023 and is moving ahead on $20 billion in projects right now.

The company gets a majority of its revenue from regulated assets or long-term contracts, so the cash flow on the existing network should be predictable. In addition, revenue and cash flow should grow at a healthy rate as the new developments are completed.

Management is targeting annual dividend growth of at least 8% through 2021. The current payout provides a yield of 5%.

Russel Metals (TSX:RUS)

Russel Metals operates in three core areas of the North American metals distribution market, with metals service centres, steel distributors, and an energy products division.

The company reported solid Q3 2018 results with net income hitting $68 million, compared to $34 million last year.

Revenue in the metals service centres business rose 35%. Energy products revenue increased 38%, and revenue in the distributors segment jumped 17%, compared to Q3 2017.

Nonetheless, the stock is down from $30 per share at the start of 2018 to about $23. Trade concerns and the recent rout in the energy sector have contributed to investor angst, but the pullback might be overdone.

The dividend looks safe and currently provides a yield of 6.6%.

Laurentian Bank (TSX:LB)

Laurentian Bank traded at $60 per share a year ago. Today investors can pick up the stock for less than $42.

The Quebec-based lender has gone through some tough times connected to questionable mortgage loans, although that situation is now resolved. In addition, rising interest rates are causing some concern that homeowners could run into trouble in the next couple of years.

Laurentian Bank has a market capitalization of just $1.75 billion and reported a CET1 ratio of less than 9% at the end of fiscal Q3, so the market might be worried about the bank's ability ride out a housing downturn.

Quebec's economy is strong and unemployment is low, so there doesn't appear to be any big warning signs on that front. Laurentian Bank's dividend payout ratio was 52% in the last quarter, which is a bit higher than the other banks, but still low enough that the distribution should be safe.

At the time of writing, the stock trades at 7.7 times trailing earnings. This is pretty cheap, even given some of the bank's challenges.

Laurentian Bank is a contrarian play right now, but you get a 6% yield and some interesting potential upside when market sentiment shifts.

The bottom line

TransCanada, Russel Metals, and Laurentian Bank pay attractive dividends with above-average yield. If you have a contrarian investing style and are sitting on some cash, all three stocks appear somewhat oversold right now and might be interesting picks for your 2019 portfolio.

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2. TSX:LB (Laurentian Bank of Canada)
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