3 Oversold Dividend Stocks to Start Your Self-Directed RRSP Today

Description

The pullback in the stock market has spared few sectors, and some quality companies with solid dividends have fallen to the point where investors can pick up attractive yield and a shot at some significant upside in the stock price.

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

Inter Pipeline (TSX:IPL)

Inter Pipeline trades at $21 per share compared to $25 in early 2018 and a five-year high near $39. At the current price, investors can pick up a dividend yield of 8%.

Any time the yield on a distribution starts to drift above 7%, investors need to be careful, as it suggests the market is starting to anticipate a potential cut. In many cases, the concerns turn out to be valid, and while it is impossible to say IPL's payout is 100% safe, the odds are pretty good that this is the case.

IPL is a niche player in the energy infrastructure sector with natural gas liquids (NGL) processing, oil sands pipelines, and conventional oil pipelines in Canada. The company also has a growing bulk liquids storage business in Europe.

The business generated record net income of $169 million in Q3 2018, representing a 19% increase over the same period last year. The quarterly payout ratio came in at 55%, so there should be ample room to support the distribution.

Royal Bank (TSX:RY)(NYSE:RY)

Bargain hunters have already started to buy Royal Bank after its recent drop to $90 per share from the 2018 high of $108. At the time of writing, the stock trades for $96 per share, which still looks cheap, given the earnings outlook and the balanced nature of the company's revenue stream.

Management expects to see annual earnings growth of at least 7% per year over the medium term. That is in line with the fiscal 2018 performance and should support dividend hikes each year of about the same amount.

The current payout provides a yield of 4%.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN is one of those stocks you can simply buy today and forget until you decide to retire. The company has a unique strategic advantage in that it is the only rail operator in North America with lines connecting three coasts.

Management is investing billions in new engines, rail cars, and network improvements to make sure the company can meet rising demand and compete with trucking companies and other railways along some overlapping routes.

The stock has bounced off the recent low of $96.50 to $105, but it still appears cheap. In October, the shares fetched $118.

CN has one of the best dividend-growth track records in the TSX Index, and while the yield is only 1.7%, investors get rewarded with big increases and aggressive share-buyback programs. Investors who bought this stock 20 years ago and reinvested all the dividends in new shares have watched an initial $5,000 investment grow to more than $100,000 today.

The bottom line

Inter Pipeline, Royal Bank, and CN should be solid buy-and-hold picks for a self-directed RRSP. An equal investment in the three stocks would provide and average yield of about 4.5% and offer a chance at some nice upside once sentiment improves.

Other stocks are also worth considering right now.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)

3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2019/01/10
Author
aswalker