2 High-Yielding Dividend Stocks to Buy Now

Description

Buying stocks just because their yield is high isn't a sound investing strategy. Often, a high yield is a sign of danger. It tells us that the investors are seeking a discount to own the share of a company yielding more than its peers.

But, sometimes, companies share prices get weakened due to temporary setbacks. That's the time when smart investors take advantage of the attractive valuations and they lock-in their juicy dividend yields. Here are two dividend stocks that I think are looking attractive after their recent pullback.

Bank of Nova Scotia

One popular trading strategy that many investors have used to make money by buying top banking stocks in Canada is to bet on the stock that is underperforming. That underdog usually catches up with the peers quickly, and the investors who bet on its revival benefit from the upside.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS), the nation's largest lender, is offering a similar opportunity. BNS stock has remained under pressure this year on investors' concerns that the lender's aggressive acquisition drive will erode profitability in the short run.

In the most recent quarterly earnings, BNS posted a 17% rise in profit from international banking compared with a year earlier. But it showed a 4% decline in overall profit. But, in my view, this weakness is short term and doesn't change the long-term attractiveness of the lender, which has an excellent track record of paying growing dividends.

Trading at $72.60 at the time of writing, BNS stock yields 4.9% and pays a $0.87-a-share quarterly dividend. That yield is much higher than offered by many lenders in North America and offers a good entry point to long-term investors.

Inter Pipeline Ltd.

In the energy space, you can find many stocks that have drastically weakened due to Canada's pipeline capacity problems that made it tough for these players to ship their products. As a result of this weakness, their dividend yields have become attractive. But that doesn't mean that players will be able to come out of this slump unhurt.

Inter Pipeline Ltd. (TSX:IPL), on the other hand, seems a good bet due to its diversified business in the energy infrastructure space. It operates a large pipeline network, 16 strategically located petroleum and petrochemical storage terminals in Europe. Its NGL business is one of the largest in Canada.

With its diversified operations, IPL is also expanding fast. In Canada, IPL is in the middle of building a $3.5-billion petrochemical complex near Edmonton to convert propane into polypropylene plastic. In late October, IPL announced a $354-million deal to buy European storage terminals from Texas-based NuStar Energy.

The company pays $1.71 annual dividend, which translates into 7.73% dividend yield on today's price. If your risk appetite is higher and you can tolerate the energy market's volatility, then IPL is a good bet to earn a higher yield.

Bottom line

When you buy a stock offering a higher yield, you take the higher risk. But if you do your proper due diligence and pick the right stock, you also have a good chance to make higher returns.

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