2 Top High-Yield TSX Index Dividend Stocks

Description

The market pullback is giving Canadian investors a chance to buy some top-quality dividend-growth stocks at attractive prices.

Let's take a look at two stocks that might be interesting picks for your portfolio today.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is the new name for TransCanada.

The change was made to shift investor focus to TC Energy's complete North American presence. The company has liquids and natural gas pipelines in Canada, the United States, and Mexico. It also owns power-generation assets and natural gas storage facilities.

The $32 billion secured capital program is expected to keep the company busy over the next four years. This should drive adequate revenue and cash flow growth to support ongoing dividend hikes of 8-10% per year until at least the end of 2021.

TC Energy currently pays a quarterly distribution of $0.75 per share for a yield of 4.7%.

Funding the large development program is a challenge for management. The company has identified non-core assets that it is selling to raise part of the cash. Partnerships might also be an option.

Falling bond yields and the decision by the U.S. Federal Reserve to cut interest rates should be positive for TC Energy as it will reduce borrowing costs on any debt it decides to issue as part of the plan to raise money.

At $63, the stock is still well above the $50 it traded at to start the year but has pulled back from the 2019 high around $67.

As a buy-and-hold dividend pick, TC Energy appears attractive at the current level.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) trades at $100 per share right now compared to $124 last September.

This puts the 12-month trailing price-to-earnings ratio at roughly 8.7, which is pretty cheap considering the strength of the Canadian economy and the country's strong employment level.

CIBC is viewed as a riskier play than its larger Canadian counterparts due to its heavy reliance on the Canadian residential housing market. Management is aware of the situation and has diversified the revenue stream in recent years through U.S. acquisitions. That trend should continue and eventually narrow the P/E discount between CIBC and its peers.

The bank remains very profitable and while falling interest rates will squeeze net interest margins, lower mortgage costs should give the housing market a boost while reducing default risks on existing loans that come up for renewal.

CIBC's current dividend should be rock solid and offers an attractive 5.6% yield.

The bottom line

TC Energy and CIBC might not be the first names that come up around the water cooler, but both companies pay growing dividends with above-average yields and should be solid picks for a buy-and-hold portfolio.

If you only buy one, CIBC appears oversold right now and should deliver some nice upside when sentiment improves.

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