3 Stocks for High-Yield Investors

Description

Falling interest rates and low bond yields are driving income investors back into stocks that pay reliable distributions.

Fortunately, Canadian retirees and other yield-hungry investors still have an opportunity to buy quality dividend stocks at attractive prices.

Let’s take a look at three high-yield stocks that might be interesting picks right now for a self-directed income portfolio.

Inter Pipeline

Inter Pipeline (TSX:IPL) is a niche player in Canada’s midstream energy sector.

The company owns oil sands pipelines, conventional oil pipelines, and natural gas liquids (NGL) processing facilities in western Canada. It also has a bulk liquids storage business in Europe.

The stock is up 20% since June, which is primarily due to a statement by the company that it had received a takeover offer. According to the story that led to the admission, IPL rejected a bid for $30 per share.

Management said that it’s considering a sale of its bulk liquids business in order to free up capital to fund the completion of its $3.5 billion Heartland Petrochemical Complex. This should ease balance sheet concerns that have put pressure on the stock this year.

The shares currently trade for $24 at writing and provides a 7% dividend yield.

Cash flow should be adequate to cover the existing payout, and new assets will bring in additional revenue to support ongoing distribution hikes. IPL has raised the dividend in each of the past 10 years.

In the event a sweetened bid comes forward, a nice takeover premium might also be on the way.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is making good progress on its efforts to diversify the revenue stream. The company spent more than US$5 billion in the past couple of years to secure a presence in the U.S. commercial and private banking segment.

At home, falling fixed rate mortgage prices are helping the Canadian housing market avoid a steep downturn. As a result, CIBC's large residential mortgage portfolio should avoid the big hit the market feared might be on the way.

The bank recently reported solid earnings for fiscal Q3 2019 and raised the dividend. At the time of writing, the stock trades for $102.50 per share and provides a 5.6% dividend yield.

CIBC appears oversold right now and could deliver some nice gains when sentiment improves in the broader market. In the event we hit an economic downturn, the company is well capitalized and can ride out a rough patch.

BCE

BCE (TSX:BCE)(NYSE:BCE) is actually trading near its all-time highs, and the stock should see strong support in the current environment.

BCE continues to grow at a slow and steady pace and is generating good free cash flow to support ongoing annual dividend hikes in line with the 5% raise investors received this year.

Interest rates are already falling in the United States and the Bank of Canada is on hold amid increasing expectations of a rate cut in the coming months. Low interest rates make go-to dividend stocks more appealing, as they attract yield-seeking investors who want attractive low-risk returns.

Despite the surge in the share price this year, BCE still provides a 5% yield.

The bottom line

IPL, CIBC, and BCE all pay attractive dividends and should be solid picks for an income-focused portfolio.

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