



Income Investors: 3 Oversold Stocks With Rising Dividends

Description

Utilities and telecoms have enjoyed solid rallies this year amid a buying surge from income investors who are bailing out of fixed-income alternatives as interest rates and bond yield head lower.

This has pushed price-to-earnings multiples to new highs in many stocks, but other sectors have actually taken a hit in 2019 and [dividend investors](#) now have a few high-yield opportunities that should be solid long-term picks.

Let's take a look at three dividend-growth stocks that appear oversold today and might be interesting additions to an [income portfolio](#).

Canadian Natural Resources

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#)) is a major oil and natural gas producer in Canada. It also has facilities in the North Sea and Offshore Africa.

Natural gas prices remain low and oil has slumped in recent months, putting pressure on the energy sector — and CNRL has not avoided the pullback. The stock trades for \$31.50 per share at writing compared to \$43 at this time last year.

Despite the difficult market conditions, the company is generating solid results and management is taking advantage of the strong balance sheet to add strategic assets, as we saw with the \$3.8 billion purchase of Devon Energy's Canadian assets.

Free cash flow for Q2 2019 came in at \$1.3 billion after covering the capital program and the dividend payments. The surplus was used to buy back stock and pay down debt.

CNRL raised its dividend by 12% for 2019. The current payout provides a yield of 4.75%.

The company arguably owns the best resource portfolio in the country, and while bottlenecks persist, access to international markets should improve in the coming years.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) traded at \$107 per share a year ago. At the time of writing, investors can pick up the stock for close to \$90. That puts the price-to-earnings multiple below 10, which is normally a level we would expect to see during a financial crisis.

The company has strong U.S. and Canadian personal and commercial banking operations. Earnings grew just 1% in fiscal Q3 2019, compared to the same period last year, but the bank remains very profitable.

Falling interest rates in the U.S. should eventually lead to the Bank of Canada cutting its rate. This, along with plunging bond yields should provide a nice boost to the housing market, while giving companies and households some relief of debt costs.

Bank of Montreal has paid a dividend every year since 1829 and raises the distribution on a regular basis. The current payout provides a yield of 4.6%.

Enbridge

Enbridge is a giant in the energy infrastructure industry with pipelines in Canada and the United States that transport a significant chunk of oil and gas produced in the countries.

Opposition to major new pipeline projects has investors wondering where the company will find long-term growth.

Enbridge has widespread opportunities for smaller tuck-in projects throughout its asset base. The company is expanding its renewable energy exposure, including offshore wind farms, and has the financial clout to make strategic acquisitions.

The current \$19 billion capital program can be funded through internal means and the dividend should rise in line with annual expected growth in distributable cash flow of at least 5%.

The stock trades for close to \$45, compared to \$65 in the spring of 2015, so there is some decent upside potential on a rebound. In the meantime, investors can secure a solid 6.5% dividend yield.

The bottom line

CNRL, Bank of Montreal, and Enbridge all appear oversold today and pay attractive dividends that should continue to grow. If you have some cash on the sidelines, these three stocks deserve to be on your radar for a buy-and-hold income portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CNQ (Canadian Natural Resources Limited)
6. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date

2025/08/02

Date Created

2019/09/05

Author

aswalker

default watermark

default watermark