Top High-Yield Stocks for TFSA Income

Description

Canadian retirees and other income investors are on a quest for the best returns they can possibly get on their savings without putting their capital at too much risk.

Let's take a look at two top Canadian income stocks that might be interesting buys right now for your TFSA portfolio.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) traded a high as $124 per share last year, but slipped to below $100 in 2019, before the recent surge that now has it back up to $108.

The pullback stemmed from investor concerns that the trade battle between China and the United States would trigger an economic rout in the U.S. and consequently take Canada down as a result. Any significant weakening of the Canadian economy would put jobs at risk, and a jump in unemployment could spell bad news for the country's lofty housing market.

CIBC relies heavily on lending to Canadian homebuyers, so a rise in defaults due to household income cuts would potentially hit Canada's fifth-largest bank harder than its peers.

Analysts are starting to suggest the economic outlook might not be as bad as initially feared, and expectations for a trade deal are starting to improve. As such, the drop in CIBC's share price appears overdone, and bargain hunters have flocked to the stock in the past month, driving the shares up roughly 10%.

Despite the bounce, CIBC still looks cheap at just 9.4 times earnings.

The board just raised the dividend, and investors who buy today can lock in a solid 5.3% yield.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) saw its unit price slide from $29 in 2016 to $23 last year amid a stretch of interest rate hikes by both the United States and Canada.

Rising rates tend to put pressure on REITs, as they drive up borrowing costs, which potentially reduces cash flow available for distributions. Higher interest rates also tend to translate into better rates on GICs, which compete with REITs and dividend stocks for investor funds.

RioCan has bounced back in 2019 due to a change of mood at the U.S. Federal Reserve and the Bank of Canada. The American central bank actually cut its target rate for the first time in a decade, and Canada has been on hold all year with pundits speculating the next move will be to the downside.

The general expectation is that rates are not headed higher anytime soon, and that should provide ongoing support for RioCan.

On the development side, RioCan's mixed-use projects are moving ahead in core markets, while it moves to monetize up to $2 billion in non-core properties in smaller cities. The shift to a combined retail and residential revenue stream makes sense and should shore up investor support in the coming years.

The distribution should increase as the new developments are completed. The unit price is now back up to $26, but investors can still pick up an attractive 5.6% yield.

The bottom line

CIBC and RioCan provide reliable distributions with above-average yield and both appear cheap right now.

Investors who are searching for buy-and-hold picks for a TFSA income portfolio might want to add these names to their holdings before the broader market starts to figure out that they are trading at bargain prices.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

3. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/02
Date Created
2019/09/13
Author
aswalker