2 Stocks That Could Boost Dividends in 2020

Description

We’re in the final quarter of the year, and with the stock market correcting mildly it could be a great time to add some robust dividend stocks to your income portfolio.

Investors are feeling anxious as we head into 2020. Record-high household debt, an inverted yield curve and the ongoing trade war have made most investors worried about an imminent recession. But that doesn’t mean savvy investors seeking a stable income stock don’t have plenty of opportunities.

Here are two stocks that are well-positioned to hike their dividend next year regardless of what happens to the broader economy or stock market.

Banking giant

One of Canada’s largest banks is also one of its most global. Canadian Imperial Bank of Commerce, also known as **CIBC** (TSX:CM)(NYSE:CM), has operations spread across the United States, the Caribbean, Europe, and Asia. That means that its fortune is less tethered to the fate of the Canadian economy.

In fact, *Bloomberg Markets* called CIBC the third strongest bank in the world this year.

That said, if the Bank of Canada cuts interest rates later this year and the housing market recovers at its current pace, CIBC’s flagship products — mortgages and personal lending — could seek a spike in demand.

The stock is inexplicably undervalued, trading at just a third over book value per share. Also, at 5.4%, the stock’s dividend yield is one of the best on the market. Meanwhile, CIBC’s dividend payout ratio is just around 0.48, which means it has plenty of room to boost the dividend next year.

Critical utility

I touched on **Fortis Inc.** (TSX:FTS)(NYSE:FTS) yesterday and called it one of my favorite recession-proof stocks

. I mentioned how a utility that provides critical services is likely to withstand the pressures of an economic downturn and how Fortis has enhanced its value by expanding overseas and acquiring stellar firms.

Even during the worst economic crisis of the past century, the 2008-2009 global financial meltdown, Fortis lost only 22% of its value and recovered relatively quickly. This, as I mentioned, proves its resilience against downturns.

What I failed to mention in my last article (or notice at the time) was that the company was more than likely to boost its dividend next year. Fortis' dividend payout ratio is lower than CIBC's, at 0.44.

The team is also currently on a 45-year long dividend growth streak, which means another dividend hike is nearly certain.

Bottom line

It's impossible to predict the stock market's moves tomorrow, let alone next year. So, instead of focusing on the unpredictable, I'd rather focus on trends and factors that seem more certain.

For instance, it seems certain that Canadian households will keep paying their electric bills regardless of the state of the economy and lower rates could benefit demand for banking products.

CIBC and Fortis are both well positioned for these trends in 2020, and both also pay far less than they can afford in dividends.

In my experience, both stocks deserve a spot on your radar if you're seeking to preserve value in a potential downturn and make some robust income along the way.

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vraisinghani