2 Top Dividend Stocks to Buy With Yields Touching 8%

Description

Many investors who'd wanted to buy some of the top dividend stocks cheap this year have long missed the boat. After a strong shift to income-producing stocks in the past year, these stocks are generally trading at higher valuations.

In this environment, if you still want to earn higher dividend yields, you may have to look for stocks that are a bit riskier with temporary factors that have depressed their values. In this segment of the market, I particularly like Canada's energy sector.

Due to persistent challenges, including the pipeline shortages, oil price fluctuations, and the doubts about the fossil fuel demand in the long run, these stocks mostly remain under pressure. But these challenges haven't yet hurt these companies' ability to produce strong cash flows. In this class, I have picked the following two high-yielding stocks for you to consider.

Inter Pipeline

Calgary-based **Inter Pipeline** (TSX:IPL) runs a diversified business in the energy infrastructure space. It operates a large pipeline network and 16 strategically located petroleum and petrochemical storage terminals in Europe. Its NGL business is one of the largest in Canada.

With its diversified operations, IPL is also expanding fast. In Canada, IPL is in the middle of building a $3.5 billion petrochemical complex near Edmonton to convert propane into polypropylene plastic.

With this strong portfolio, IPL pays $0.1425 a share monthly dividend, which translates into 7.7% yield on the current stock price of $22.12. The company has shown volatility in its earnings, while its balance sheet is loaded with debt. Despite these shortcomings, I think the company has a right mix of assets, a robust growth plan, and a diversified revenue stream.

The Heartland Petrochemical Complex, for example, will start converting locally sourced propane into polypropylene plastic used in packaging, textiles, and other products by 2021, opening a new avenue for the cash generation.

With these factors in mind, I believe this is the right time to buy IPL stock and lock in a higher dividend yield.

Enbridge

North America's largest pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) is another candidate to earn a higher yield. Trading at $47.72, Enbridge stock offers an annual yield of 6.18%.

That rate of return is quite attractive given the low-rate environment and other shrinking opportunities for investors to make a decent return from quality dividend stocks. Enbridge is in a good position to take advantage of North America's strong energy economy.

The company operates across North America, fueling the economy and fulfilling consumers' energy needs. Enbridge moves nearly two-thirds of Canada's crude oil exports to the U.S., transports about 20% of the natural gas consumed in the U.S., and operates North America's third-largest natural gas utility by consumer count.

With an expected 10% annual rise in payouts, Enbridge is a good stock to take refuge when the risks to economic growth are accelerating and the central banks are cutting interest rates. The company pays a $0.73-a-share quarterly dividend.

Bottom line

Both IPL and Enbridge are solid dividend stocks to buy in today's low-rate environment. I find IPL a riskier bet than Enbridge. At the current yield, that risk is well compensated, in my view.

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Date
2025/09/19
Date Created
2019/10/30
Author
hanwar