



3 Stocks That Pay an 8% Yield — and Could Double Your Money

Description

Sometimes investing can be extremely bewildering. There can be deals sitting there for incredible amounts of time, with no one taking advantage of what seems to be a no-brainer investment.

You look for confirmation to reinforce your view, hoping that someone else will help support your judgment while simultaneously hoping it doesn't go up too fast so that you still have time to buy.

At this time last year, I was pounding the table on utility and dividend stocks. Solid companies were yielding 5-6% as investors chucked them to the side amid fears that that interest rates would continue to spike.

I have to admit that I didn't think that interest rates would be heading down once again in 2019. It just seemed to be a good time to buy stocks to hold for the long term. The spike in their share prices has just been a nice bonus.

This year, there is a similar situation at play, albeit in a completely different sector. Oil and gas stocks are sitting at all-time or near all-time lows. They are being valued as if they are all going out of business because people globally are going to completely give up using oil today.

There are a number of ways to buy into the sector, but you will likely get the largest bang for your buck with some of the junior producers. There is no shortage of companies to look at, so here are a few that might be a good place for you to start.

Create an 8% yield with massive potential upside

Now while the dividends in the commodity sector have been anything but safe in recent years, there is a reason to believe that the high yielding stocks may be able to sustain their outrageous yields.

Companies like **Whitecap Resources Inc.** ([TSX:WCP](#)), **Torq Oil and Gas Ltd.** (TSX:TOG), and **Arc Resources Ltd.** ([TSX:ARX](#)) all pay dividends of almost — or in excess of 8%.

It's pretty incredible to think that you can get a relatively safe [average dividend](#) of 8% with a huge possibility of massive upside. If the dividend is most likely safe, then why are the shares still so low?

Well, for one thing, people have been hugely burned. In the case of Whitecap, Torc, and Arc, their share prices have fallen around 20%, 23%, and 35%, respectively. And I won't even mention how far they have fallen from their highs. Investors are afraid to get back in and institutions want to see improvement before they buy.

But the funny thing is, these companies are more solid and more profitable than they were before the crash in some cases, especially at this price point. [Whitecap](#) is buying back shares, paying down debt, and has even increased its dividend.

Torc may also be in a position to buy back shares or increase its dividend in the year ahead, considering its cash flow and cheap share price. Arc also stated in its Q3 report that share buybacks, a dividend increase, and debt reduction are a major possible use for its unallocated funds from operations.

The key thing to keep in mind is that, despite their high yields, all three companies are making plans to buyback shares, pay down debt, or even increase dividends with their excess FFO.

This is the time to buy

I have been positive on energy stocks for a while and was a little early in my recommendations to be sure. But the prices on these stocks are getting lower as their fundamentals continue to improve.

Insiders are buying shares. The companies themselves are buying shares. They see the value. Eventually, institutions will see the profitability and will move as well.

It might take some time for these things to move, but eventually, they will. Discrepancies between profitability and share price don't tend to last long, especially once people see stocks moving upwards.

I would also argue that many people feel the burn from their oil investments a few years ago. Eventually the pain subsides, and even these investors will return once more when money is being made.

Buy shares in stocks like Whitecap, Arc, and Torc now and at least lock in a dividend while you wait for the turnaround.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)
2. TSX:WCP (Whitecap Resources Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
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