2 High-Yield (+6%) Canadian Dividend Stocks to Buy in February

Description

The TSX hides some surprisingly rich yields that are just right for income investors buying in February. Steel and banking are two unlikely areas that abound in rich dividends, showcasing some of the most rewarding stocks on the TSX. Today, we'll take a brief overview of a pair of stocks that pay +6% yields for a diversified mix of passive-income assets drawn from the cream of Canadian business.

Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) isn't in the Big Five — or even in the Big Six, if you prefer to group Canada's largest banking institutions that way. However, it's one of the most popular of Canada's less-well-known bank stocks, and last year saw a turning point that finally matched great value for money with long-term peace of mind in the shape of its late-summer collective agreement.

The move saw the stock up +20%, but don't let that put you off if value investing is your strategy. Laurentian Bank still trades at 11.6 times earnings, which are set to grow by 12.5% annually. This makes for a high dividend yield of 6.14%.

Indeed, selling below its book price, Laurentian Bank of Canada is an inherently sound play for value, with that P/E ratio well below the average. Looking for bank stocks beyond the Big Five that pay even higher dividend yields than **CIBC's** 5%? Look no further than this rich-yielding stock with a diversified range of financial products and services spanning B2B and personal banking.

Russel Metals

As one of the biggest outfits on the continent in terms of metal distribution, **Russel Metals** (TSX:RUS) is the number one stock to add to a portfolio for steel parts exposure. While investors seeking to divest of hydrocarbon exposure may look askance at the oil and gas segment of Russel Metals's customer base, the distributor's wide moat and marketplace ubiquity could see the company outlive the fossil fuel sector.

Breaking down the revenue into segments, a would-be investor can see that Russel Metals gains the majority of its income from manufacturing and construction service centres, closely followed by energy products, and the remainder from steel distribution. In terms of geographical spread, the company sources the majority of its revenue from Canada, with around 30% of its wealth derived stateside.

A well-valued stock, Russel Metals sells at a discount of around a quarter off its fair value, with income growth of around 10% per year on the cards. Perhaps the biggest pull of this stock, though, is its attractively rich-yielding dividend of 6.67%. Its 73% payout ratio also leaves room for dividend growth — a potential outcome of a continuation of the current record bull market.

The bottom line

Matching good value for money with expected growth and some rich yields, these two stocks could satisfy an income strategy that favours a high return on investment over a shorter space of time. As such, they would be suitable for a last-minute RRSP contribution. With +6% yields, either stock would also suit an ambitious new investor looking for steep gains over a longer period.

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:RUS (Russel Metals)

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