2 Beaten-Up Stocks With Yields Over 6%

Description

It's pretty easy to make the argument that most investments are very expensive right now. Even with the recent pullback in stocks, they remain quite pricey. Stocks, real estate, bonds, and pretty much any investment you can think of right now are priced to perfection and more. This makes it enormously difficult to find stocks that are worth buying right now.

Fortunately for us Canadians, there are a number of companies that have high yields and are trading relatively cheaply. While you do need to go further down the risk curve to get these deals, it is possible to find stocks that fit into this category.

A couple that might be worth a look are **Rogers Sugar** (TSX:RSI) and **Russel Metals** (TSX:RUS). These are two high-dividend stocks that could be a great way for you to add income into your portfolio. Their yields are quite high, with Rogers Sugar having a present yield of about 6.82% and Russel Metals sitting at around 7%.

While the dividends on these stocks should stay relatively secure, investors would be wise to note the fact that you will not likely make a lot of capital gains on these companies. Both of these stocks have seen their share prices go effectively nowhere for more than 15 years. Given the cyclical nature of their businesses, it is likely that the share prices will not move enormously higher.

Since you are buying the stocks rather cheaply, though, you may be able to make some money as a trade, holding the stocks and collecting their rich dividends until there is a move in the stock price.

They are cheap, after all. Russel Metals trades with a forward P/E of about 12 times forward earnings. Rogers Sugar trades at a forward P/E of 14. They are both also trading at under two times their book values, making them reasonably priced at the present time.

The biggest problems with the stocks, in my opinion, come from their fairly high debt loads and exposure to commodities. In the event of a recession or a global economic slowdown, both of these companies could experience further downside pressure on their stock prices. That being said, much of the potential impact of an economic slowdown is most likely already priced into their shares, so they should be rather stable with the possibility of an upside move.

The Foolish takeaway

As you can see, it is possible to find stocks that are pretty cheap and have excellent dividend yields that pay out a lot of cash over time. One of the biggest problems you have to face as a potential investor is liquidity. Investors need to be comfortable with seeing these stocks as a source of cash flow without much of a chance for capital appreciation.

If you are willing to take a chance on stocks like Rogers Sugar and Russel Metals, however, you will likely be happy with the income you generate from these stocks. If their share prices do spike, though, you would do well to sell these stocks and wait for another chance to re-enter at a later date. I am currently considering these stocks as a part of a high-yield income strategy. They are definitely worth taking a look into as a way to generate extra yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:RSI (Rogers Sugar Inc.)
2. TSX:RUS (Russel Metals)

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