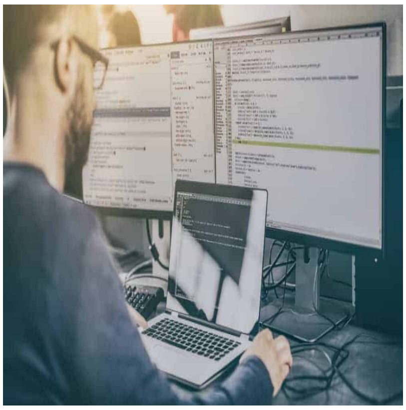

Retirees: 2 High-Yield Dividend Stocks to Buy on a Market Correction

Description

The recent drop in the stock market is giving income investors an opportunity to pick up top **TSX Index** dividend stocks at cheap prices.

Let's take a look at two high-yield stocks that deserve to be on your radar for a TFSA income portfolio.

Enbridge

Enbridge (TSX:ENB) (NYSE:ENB) is down to $52 per share from a high near $57 earlier this month. The pullback has driven the dividend yield above 6%, which is very attractive for income investors.

Enbridge is a leading player in the North American energy infrastructure sector with pipelines that transport a significant amount of the oil and natural gas produced and used in the United States and Canada.

The company also has utility businesses that deliver natural gas to companies and homes. In addition, the renewable energy division has power production facilities that include wind, solar, geothermal, and hydroelectric assets.

Enbridge gets most of its revenue from regulated assets and has a strong capital program in place that should boost distributable cash flow by 5-7% per year in the medium term. Investors should see the dividend grow in the same range.

The company has done a good job of shoring up the balance sheet and streamlining the corporate structure. Enbridge sold roughly $8 billion in non-core assets and bought the shares it didn't already own in four subsidiaries.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM) (NYSE:CM) just reported decent Q1 2020 results and is lowering its staff count to improve its efficiency ratio. The metric measures the bank's cost to create a dollar of revenue. The ratio came in at 55% in fiscal Q1 2020, compared to 56% in the previous quarter. CIBC hopes to get it down to 53.5-54% in the next two years.

Despite some headwinds in the sector, CIBC remains very profitable. Adjusted return on equity was 16.1% in the quarter and adjusted earnings per share came in at $3.24, up 8% compared to fiscal Q1 2019.

CIBC remains well capitalized with a CET1 ratio of 11.3%, which means the company has the capital to ride out a meaningful downturn.

The board just raised the quarterly dividend by $0.02 to $1.46 — good for a yield of 5.5%. CIBC kept the dividend steady during the Great Recession, so investors should feel comfortable with the stability of the payout even if Canada sees a recession in the next couple of years.

CIBC's capital markets group had a strong start to the fiscal year with net income coming in at $335 million, representing a 63% increase over the same period last year.

The U.S. commercial banking and wealth division produced a 6% increase in adjusted net income and the equivalent Canadian segment saw a 7% rise.

Adjusted net income from personal and small business banking dipped 2% compared to Q1 2019.

Risk?

Canadians are carrying record levels of debt and a jump in unemployment would likely drive up loan defaults. CIBC's Canadian consumer net write-offs remained stable over the 12 months, with Q1 2020 coming in at 0.28% compared to 0.27% in the same period last year.

The stock is down from $110 per share to $106 over the past two weeks. At a multiple of 9.5 times trailing earnings, CIBC looks cheap right now.

The bottom line

Enbridge and CIBC appear somewhat oversold. The dividends continue to grow and provide above-average yield.

If you are searching for solid picks for a buy-and-hold TFSA income portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:ENB (Enbridge Inc.)
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