TFSA Income Investors: 2 Top High-Yield Canadian Dividend Stocks on Sale Right Now

Description

The pullback in the stock market is finally giving income investors an opportunity to buy top-quality dividend stocks with attractive yields.

Let's take a look at two companies that might be interesting picks right now for a Tax-Free Savings Account (TFSA) income portfolio.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is trading at $1.02 per share at writing, putting its trailing 12-month price-to-earnings multiple at roughly nine — the kind of multiple one might expect in a dire financial market.

The stock markets dropped about 10% last week, so that is certainly volatile and investors are trying to figure out how extensive the economic downturn might be as a result of the coronavirus.

Where things go in the coming months is certainly anyone's guess, but the current outlook is not for a financial crisis similar to the one that occurred during the Great Recession.

Canadian employment levels are strong and the economy is performing well. Falling bond yields and expected interest rate cuts help people buy houses and renew mortgages at favourable rates, which should be good news for CIBC. The company has a large Canadian residential mortgage portfolio and relies heavily on the Canadian economy.

Management has made efforts in the past couple of years to balance out the revenue stream. CIBC spent more than US$5 billion on acquisitions in the United States, and more deals could be on the way. The American business contributed about 17% of adjusted profits in fiscal 2019.

CIBC just reported decent Q1 2020 results. Adjusted earnings per share rose 8% compared to the same period last year. Adjusted return on equity was a solid 16.1%, and CIBC remains well capitalized with a CET1 ratio of 11.3%.

The board raised the quarterly dividend by $0.02 to $1.46 per share. At the time of writing, that's good for a yield of 5.7%.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) trades at $36.50 right now compared to $45 per share in the middle of January.

The rout is due to falling oil prices. The market is currently paying US$46.50 for a barrel of oil, down from US$60 at the beginning of the year. The decline is connected to fears that China will purchase significantly less oil in the near term because of the economic disruption caused by the coronavirus outbreak.

Suncor's oil sands and offshore oil production will certainly see lower margins due to the price drop. However, Suncor's refining operations should benefit from lower input costs and the retail group, which includes about 1,500 Petro-Canada locations, could receive more customer visits as gasoline prices drop.

Suncor has a strong balance sheet and could go shopping for cheap assets should the depressed market condition persists.

The board raised the dividend by 11% for 2020. The new distribution provides a yield of 5%. Suncor has a strong track record of dividend growth and the payout should be safe, even if tough times persist.

The bottom line

CIBC and Suncor are top **TSX Index** stocks that pay growing dividends with attractive yields. Both stocks appear oversold today and investors who buy now get paid well to wait for the market to recover.

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