2 High-Yield Dividend Stocks Now at Rock-Bottom Prices

Description

Contrarian investing can pay dividends. When most investors buy the dip, they aim to make money off capital gains and are not trying to "lock in" a dividend yield that's above its mean. As you may know, a stock's price is indirectly proportional to its yield. Assuming the company under question isn't financially strapped with a dividend that's skating on thin ice, the dividend yield should go up as the stock continues to retreat.

So, if you've got a financially healthy company with a stable dividend, but the stock has fallen on hard times, either due to a broader market pullback or temporary company-specific issues, it may be time to pull the trigger if you're looking for more yield for less.

After last week's panic-driven sell-off, I see two high-yield dividend stocks that investors may wish to grab before they disappear in the event of an upside correction. Consider shares of **Enbridge** (TSX:ENB)(NYSE:ENB) and **SmartCentres REIT** (TSX:SRU.UN), two dividend heavyweights that are severely oversold and are due for a bounce.

Enbridge

Oil prices fell into another bear market for the year. As a result, energy stocks took on a considerable amount of damage in last week's brutal plunge, including midstream kingpin Enbridge, which isn't as directly dependent on oil prices as many of its upstream peers.

Investing in midstream energy comes with its challenges. Regulatory hurdles on future pipeline projects act as a cloud of uncertainty for the firm's future cash flows. As you may know, investors despise uncertainty, making Enbridge a play that's subject to a higher degree of volatility relative to most firms that possess stable, growing cash flow streams.

Just last month, Enbridge clocked in decent fourth-quarter results, with revenue rising 7% to $9.36 billion. Earnings from continuing operations came in at $916 million, down slightly from the $981 million posted during the same period a year prior thanks in part to a decline in the energy services segment and previous divestments.

Although the quarter was technically a slight miss on earnings, $2.05 in distributable cash flow was encouraging and bodes well for the firm's generous capital return program. Moving ahead, sights are set on the Line 3 Replacement (L3R), which will be the main driver for the stock over the intermediate term. Management remains optimistic about L3R, but the timeline is still in the air.

In any case, Enbridge's recent correction off its 52-week lows is entirely unwarranted, given the company is still on the right track after another solid quarter. Investors should take advantage of the opportunity by picking up shares with their 10% discount while they yield over 6%.

SmartCentres REIT

Okay, technically, SmartCentres isn't a stock; it's a REIT. However, it's a high-yield REIT that's been overly punished, with a yield that's substantially higher than its mean levels. After last week's decline, I also don't see shares of the name staying too low for long. Should shares correct to the upside, the window of opportunity to catch the higher yield, currently sitting at 6.3%, will quickly come to a close, making SmartCentres a timely opportunity for those who seek significant monthly income.

The "death-of-the-shopping-mall" thesis is nothing new. Here in Canada, the mall is still alive and well, and with no evidence of a catastrophic rise in vacancies at SmartCentres, the REIT continues to defy the odds amid the continued rise of e-commerce.

As of late, the "stay-at-home" effect has been moving the markets. Fewer people are willing to run the risk of getting sick by going to the mall when they could order what they're looking for online. While the "stay-at-home" effect could linger on through the year, one shouldn't expect their distributions to be cut anytime soon.

Smart has a high-quality tenant base, with **Wal-Mart** anchoring many of its locations and with long-term leases, the REIT shouldn't feel as much of an impact, as mall traffic slows down over the coming months. It'll be Smart's tenants that will lose business, not Smart. So, investors should treat last week's 10% peak-to-trough decline as an opportunity to get more yield at a lower price.

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3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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Author
joefrenette