TSX Stocks: 2 Canadian Heavyweights Yielding 8%

Description

After a brutal fall since February, top **TSX** stocks exhibited some recovery in the last few weeks. However, recession fears are rising day by day and thus markets could again turn weak in the next few weeks. More worrisome still is how these top TSX stocks hold up amid the first-quarter earnings season remains to be seen.

Thus, investing in dividend stocks would be apt in these uncertain times. Many Canadian heavyweights are trading at discounted valuations and offer multi-year high dividend yields.

Let's take a look at such two top TSX stocks: **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) and energy midstream giant **Enbridge** (TSX:ENB)(NYSE:ENB).

Top TSX Stocks: Canadian Imperial Bank of Commerce

Shares of Canadian Imperial Bank of Commerce, one of the Big Five banks in Canada, have been under severe pressure since last month. They lost around 30% in this COVID-19 crash that started late February, largely in line with the peer bank stocks.

CIBC stock is currently trading at a dividend yield of 7.6% — levels not witnessed in the past 10 years. It has increased dividends by a handsome 7.3% compounded annually in the last five years. Thus, if one invests $50,000 in CIBC stock today, it will generate around $3,800 in dividends in 2020.

However, investors should note that bank stocks could remain weak in the short- to medium-term as they continue to digest pandemic-driven economic shock. Also, lower interest rates could further dent their profit margins.

Customers and businesses could default on their loan repayments for the next few months, directly hampering banks' bottom lines. However, the Canadian government's decision to purchase $50 billion worth of mortgage pools will likely give some respite to them.

CIBC stock looks attractive based on its price-to-earnings multiple at the moment. It is trading below 7 times its forward earnings, which is relatively cheaper compared to TSX peer stocks as well as to its own historical average.

Enbridge

Top TSX stock Enbridge has exhibited a sharp recovery recently from its decade-low levels of $33 last month. However, as earlier stated, the recent jump in TSX stocks should not be seen as a recovery and they could further test those low levels again.

Enbridge stock is currently trading at a dividend yield of 8.3%, notably higher than that of broader markets. Interestingly, although energy markets look gloomy, Enbridge's dividend profile will likely remain strong in the future.

Energy infrastructure companies such as Enbridge have little or no direct exposure to volatile oil and gas prices. Thus, its earnings and eventually dividends are much safer in the current market scenario.

Enbridge's large scale and unmatchable set of assets make it stand tall among peers in the North American energy midstream space. Also, its long-term fixed-fee contracts enable earnings stability and visibility, adding up to an attractive investment bet for long-term investors.

In terms of valuation, Enbridge stock is currently trading at a forward price-to-earnings multiple of 15 times based on estimated EPS for 2020. This implies that the stock is trading at a notable discount compared to its historical five-year average PE of 20x.

However, that does not mean the stock will not fall further. Enbridge stock could face further downward pressure along with broader markets. But the stock looks attractive at these levels as well.

Investors could spread out their buying over the next few months to average out on the weakness of these top TSX stocks.

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