Generate $1,000 of Income in the Market Rally

Description

There exists considerable uncertainty in the markets. Despite this, markets are beginning to rally. Since the beginning of April, the **S&P/TSX Composite Index** is up by 14.51%. However, several dividend stocks remain attractively priced with high yields, which means it's still quite simple to generate $1,000 of income.

Although relatively simple, not all high-yield stocks are safe. It is important to be mindful that dividend cuts and suspensions are occurring at a record pace. This is why it is important to focus on those that are well positioned to navigate a prolonged downtrend.

With this in mind, investors can generate $1,000 of income by investing in one, or any combination of these three Canadian Dividend Aristocrats, which are all well positioned to post outsized gains in a market rally.

Generate $1,000 in income with the least capital

Utilities are a safe place for investors to park their cash. They are among the most defensive industries and provide attractive yields. One company that currently stands out for its attractive yield is **Capital Power** (TSX:CPX).

At 7.29%, it would take an investment of just $13,718 to generate $1,000 of income annually. Earlier this week, the company announced quarterly results in which the CEO made this statement:

"Based on our forecast, we are on track to be near the midpoint of our 2020 AFFO target range and on track with our dividend growth guidance while continuing to monitor the impacts from the COVID-19 pandemic."

There's a reason why utilities are a safe place for investors. Cash flows are often underpinned by regulated cash flows, enabling them to have more clarity over operations than most. As a smaller industry player Capital Power's stock is more volatile. However, its recent underperformance means an excellent buying opportunity for investors.

A leading pipeline

The demand for oil has cratered, storage is drying up and the price of oil is trading at more than a decade low, resulting in significant downwards pressure on the energy sector. Even pipelines are not immune, although there is one that is bucking the trend: **TC Energy** (TSX:TRP)(NYSE:TRP).

At first, TC Energy's stock was "thrown out with the bathwater" as its share price lost more than 30% of its value in March. However, the market has since come to the realization that TC Energy's cash flows are well protected. Unlike oil producers, midstream companies aren't as susceptible to the fluctuation of oil prices.

The company's stock has since rebounded in a big way and is up by 13% since the start of April. With a 4.97% yield, investors would need to invest approximately $20,082 in the company to generate $1,000 of income — a reasonable price to pay for Canada's leading pipeline company.

The bank with the highest yield

Canada's banks have been among the hardest hit. As the market rallies around them, several are still trading near 52-week lows. Case in point, **Canadian Imperial Bank of Commerc**e (TSX:CM)(NYSE:CM) is still down 24% year to date.

CIBC also happens to own the highest yield among Canada's Big Banks. At 7.21%, investors can lock in a yield not seen in decades. Annually, the company pays out $5.84 per share in dividends, which means that investors would require approximately 172 shares to generate $1,000 of income on an annual basis. At $81.76 per share, it would only require a $14,062 investment in the company.

Is the dividend safe? Given that Canada's Big Banks have paid out uninterrupted dividends for more than 100 years, I'd say so. They are quite simply, among the safest income investments in the country.

If Canada's Big Banks start to cut the dividend, then no company is safe.

CATEGORY

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2. NYSE:TRP (Tc Energy)

3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CPX (Capital Power Corporation)
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