3 High-Yield Dividend Stocks to Buy in June

Description

There aren't as many bargains out there as there used to be. Following the COVID-19 stock market crash, stocks began a rapid ascent in April, soaring 35% from the bottom by May 31.

With the re-opening following COVID-19 becoming more likely, investors have begun pricing in the recovery. Accordingly, prices are heading higher and yields are heading lower.

That doesn't mean there still aren't good deals to be found, however. While the markets as a whole are up, some individual industries remain beaten down. That's because these industries have been hit harder than most. Stocks in these industries could be good dip buys.

In fact, there are some high-yield dividend stocks out there that may be better buys than they were in May. The following are three to consider buying in June.

TD Bank

The **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) got hit fairly hard by the COVID-19 market crash. The company's earnings declined 52% in Q2, driven by higher PCLs. PCLs are funds deducted from net income to account for likely defaults.

While these provisions drive net income lower, they do not immediately represent cash losses. If the defaults don't materialize, then PCLs can later be reduced.

In Q2, TD's PCLs soared from $900 million to $3.2 billion. That includes $1.2 billion in Canadian retail and $800 million in U.S. retail. Those are some big numbers. But you take them out of the equation, the bank fared much better.

For example, revenue increased from $10.2 billion to $10.5 billion. Cash flow from operations increased dramatically, although cash flow isn't as relevant for banks as for other industries.

In any case, the bank's payout ratio is still under 100%, so its dividend (which yields about 5%) is safe for now.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is one of Canada's largest utilities. Its stock yields about 3.6% as of this writing, and management is aiming to increase the payout by 6% a year going forward. In its most recent quarter, Fortis' earnings were basically flat. That's a relative success.

In a quarter that has seen bank earnings tank and airlines swing to huge losses, flat earnings are better than average.

Fortis has a long history of performing well in recessions. As a utility, its revenue is safe and government-regulated, giving it stability in economic downturns. History bears this out. The company grew its earnings in the 2008/2009 recession and has increased its dividend every year for 46 years straight.

Enbridge

If you have more of an appetite for risk, **Enbridge Inc** (TSX:ENB)(NYSE:ENB) could be a solid bet. It yields 7.2% at current prices, which is incredibly high for a large cap stock.

Enbridge's Q1 earnings looked pretty bad on the surface, but on closer examination, weren't disastrous. The headline grabbing figure was a $1.4 billion GAAP loss. That does look ugly, but it was largely due to non-cash charges: a $1.7 billion impairment charge and $1.9 billion in unrealized derivative losses. Take those out of the equation and you get positive adjusted EBITDA.

Around the time that Enbridge released its Q1 earnings, it upped the dividend to $0.81, suggesting that management doesn't believe the factors that contributed to Q1 GAAP losses will recur.

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