3 High-Yield Dividend Stocks to Buy in July

Description

Heading into July, global markets seem to be continuing their bullish trend following the COVID-19 market crash. In the last weeks of June, we saw the first major break in the positive momentum, as news of a second wave hit U.S. states like Texas and Arizona. Fears of renewed lockdowns sent markets tanking, culminating in a 6.9% one-day drop on June 10th.

Since then, markets have stabilized, showing positive momentum since June 26.

Nobody can say for sure whether this momentum will last, but the news of 4.8 million job gains in the U.S. provides reason for cautious optimism. With the economy re-opening, people are getting back to work, and consumer demand is rising, which should drive corporate earnings higher in the third quarter.

That said, some sectors will recover faster than others. Airlines have famously admitted that their revenue won't get back to 2019 levels for another three years; cruise lines are also bracing for years of pain. In this market, you really need to be careful what you buy.

With that in mind, here are three high yield dividend stocks that look solid in July.

Fortis

Fortis Inc (TSX:FTS)(NYSE:FTS) is a utility stock that walked off the COVID-19 market crash without a scratch. In the first quarter, it grew its earnings from $311 million to $312 million–not much of an increase, but still an increase. While EPS did decline because of new share issuance, the underlying company performed well.

That shouldn't come as any surprise. Utilities are well known for their revenue stability, which stems from the indispensable nature of their services.

Most people don't cut out utilities even in the worst economic conditions. Fortis' own history bears that out: the company grew its earnings in 2008 and 2009, the peak years of the great recession. The company has also raised its dividend every year for 46 years–a period that included several recessions.

Rogers Communications

Rogers Communications Inc (TSX:RCI.B) is another stock that fared reasonably well in the COVID-19 market crash. While its stock price declined, it declined less than the broader market. The company's Q1 results were mixed. Revenue and net income declined 5% and 10% respectively, but free cash flow increased 14%.

The company added 17,000 net internet subscribers in the quarter. Overall, it was a solid performance in the COVID-19 era.

However, if you like telcos in general, there's an even better reason to pick Rogers. Having avoided the Huawei controversy, the company is by far the furthest along in 5g deployment among all Canadian telcos.

Rogers could therefore gain subscribers in the next year or two. While the stock's yield (3.6%) is not the highest of Canadian telcos, it has significant growth potential.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-largest bank. It was hit pretty hard in the COVID-19 market crash, with a 52% decline in earnings and a more modest decline in its stock price. That said, the stock is still cheap, with a 10.65 P/E ratio with a massive 5.2% yield.

While you might think that TD's dividend is on shaky ground because of the company's 52% earnings decline, it's not necessarily true. Most of TD's Q1 earnings decline was due to an increase in PCLs; revenue actually increased in the quarter.

If anticipated losses don't materialize, then the company will be able to reduce its PCLs and there will be a quick spike in earnings followed by slow and steady growth. Either way, the dividend appears safe for now.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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