



TFSA Income Alert: 3 Top Stocks Now Yielding 6-9%

Description

Canadian income investors can't get decent returns from GICs these days, but the 2020 market correction in equities finally provides some attractive high-yield opportunities.

Let's take a look at three Canadian income stocks that appear cheap right now and offer above-average yields for an income-focused [TFSA](#) portfolio.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the Canadian and U.S. [energy infrastructure](#) sectors with liquids pipelines, natural gas transmission and midstream operations, gas utilities, and renewable energy assets.

The oil pipelines saw reduced volume in Q1 and Q2 due to lower demand by refineries, but the reopening of the economy should result in a rebound, as people start driving more and airlines slowly begin to add flights.

Enbridge's utility and power businesses have served as a good hedge against the drop in throughput along the mainline liquids network.

The stock trades near \$40 per share and provides a dividend yield of 8%. The distribution should be safe, and investors get paid well to wait for the economy to recover. The shares traded above \$57 in February, so there is a solid upside opportunity.

RioCan

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) owns shopping centres across Canada. The pandemic lockdowns forced the closure of non-essential stores that pay rent to RioCan.

On the surface, RioCan looks like a very risky investment, and another wave of the virus in Canada or

new lockdowns would certainly be negative for the stock. However, RioCan has a strong balance sheet, and some of its tenants have remained open, including grocery stores and pharmacies. Others have a national presence with deep pockets to ride out the tough times. RioCan gets no more than 5% of revenue from any single tenant.

Low interest rates benefit the company. In addition, RioCan's mixed-use property developments should drive growth in the coming years.

The CEO indicated in May that there is no plan to cut the distribution. Investors who buy today can pick up a 9.6% yield. RioCan trades near \$15 compared to \$27 in February.

CIBC

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) trades close to \$91 and provides a dividend yield of 6.4%.

The Canadian banks booked large provisions for credit losses when they reported fiscal Q2 results. The actual loan losses that occur will depend on the speed of the economic recovery and the reduction of the unemployment rate.

In June, Canada added nearly a million jobs. The provinces continue to slowly reopen their economies, and that should get more people working and reduce default risks later in the year when deferrals expire and government aid programs end.

CIBC has significant exposure to the Canadian housing market. CMHC anticipates a 9-18% drop in house prices through 2021. For the moment, the market continues to hold up well. However, a meltdown in residential property prices would be negative for CIBC.

That said, CIBC's share price could catch a nice tailwind if we don't see a flood of defaults and a surge of listings in the next 12 months.

CIBC maintains a strong capital position to ride out the downturn, and the dividend should be safe. The bank held the payout steady during the Great Recession.

The bottom line

Enbridge, RioCan, and CIBC are strong companies that pay attractive distributions. If you have some cash available, these names deserve to be on your radar for a buy-and-hold TFSA income fund.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)
5. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

Date

2025/09/08

Date Created

2020/07/10

Author

aswalker

default watermark

default watermark