Contrarian Investors: 2 High-Yield Stocks That Could Soar in 2021

Description

Pandemic uncertainty continues to put pressure on top Canadian stocks that are popular with income investors. Several now offer very attractive yields.

Let's take a look at two companies that might be interesting contrarian picks for a dividend-focused portfolio today.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry.

Falling oil prices due to reduced fuel demand during the pandemic has forced oil companies to cut production. Refineries have reduced output or even shut down their operations. Enbridge's oil and liquids pipelines normally operate near capacity, but the drop in throughput during the lockdowns will hit results.

However, as countries around the globe slowly reopen their economies, fuel consumption is expected to rise and that should be good news for Enbridge.

At the same time, Enbridge's natural gas utilities and renewable energy assets continue to perform well. In the Q1 2020 report Enbridge maintained its full-year guidance for distributable cash flow.

The stock appears oversold near $40. Enbridge traded above $57 earlier this year, so there is big upside opportunity on a recovery in the global economy. Once a coronavirus vaccine is available and air travel begins to increase, demand for jet fuel will help boost oil supply to refiners.

In the meantime, investors who buy Enbridge at the current price can pick up a dividend yield of 8%.

RioCan

RioCan (TSX:REI.UN) is Canada's largest owner of shopping malls. Pandemic lockdowns hit the retail industry hard and RioCan is slowly reopening its locations in accordance with the guidelines of each province.

RioCan shifted its strategy in recent years to focus on six core markets. The company sold assets in secondary markets and is building up to 10,000 residential units over the course of 10 years at mixed-use locations. The success of the first projects suggests the move should drive long-term growth while diversifying the revenue stream.

The shopping centres rent to a wide range of clients. RioCan is using its strong balance sheet to offer support to smaller tenants to help them get through the crisis. Many of the larger customers with a national presence have access to funding to ride out the downturn. In addition, several tenants remained open in the past few months due to their essential-service status.

RioCan gets no more than 5% from any single tenant. If one major chain goes bankrupt, the company can navigate the hit. Historically, RioCan has been able to fill vacancies relatively quickly due to the quality of its locations.

RioCan trades near $15 right now compared to $27 in February. The company says the distribution is safe, due to the strong balance sheet and access to cheap borrowing. Investors who buy now can pick up a 9.5% yield.

The bottom line

Risks remain in the market and investors should anticipate ongoing volatility. However, Enbridge and RioCan are leading players in their respective industries and pay attractive distributions that should be safe.

If you have a contrarian investing style and are searching for high-yield picks to add to a buy-and-hold income fun, these names deserve to be on your radar.

In the event we get a V-shaped recovery in 2021, investors could see these stocks move significantly higher.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Date
2025/08/14
Date Created
2020/07/14
Author
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