Dividend Investing: Time to Buy These Stocks?

Description

While there's still market uncertainty to be wary of in the short term, there are long-term buying opportunities. Specifically, those focused on dividend investing can now scoop up stocks with attractive yields.

Buying reliable dividend stocks when they're cheap is a great way to make high total returns over time. The outsized yields combined with further dividend growth and share price appreciation make for big returns in the end.

However, the key is that the stocks are reliable. Too often, ailing companies try to attract investors with lofty yields, and investors end up hopping on a sinking ship.

After all, a huge yield isn't worth much if it's due to be cut severely or the company is set to struggle with growth anyway.

Today, we'll look at two dividend-investing stars that might be worth a look for long-term investors.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is one of the major banks in Canada, with a market cap of $43.53 billion as of this writing.

Given the recent economic circumstances, it's understandable that CM has had a rough go as of late. The company has year-over-year quarterly revenue growth of -26.1%, and margins have slimmed down as well.

However, CM still has a solid balance sheet and easy access to liquidity and support. It's also kept the dividend-payout ratio just 63.08%. While this is, of course, a little higher than its usual figure, it doesn't mean that the yield is in any real danger.

It's also important to keep in mind that this dividend-investing stock hasn't missed a dividend payment since it began paying dividends in 1868. As of this writing, the yield is coming in at 5.97%. This trounces the five-year average yield of 4.86%, suggesting investors can lock in an outsized yield.

Now, there could still be tough sledding ahead for this dividend-investing giant, but as the economy continues to re-open, you can expect CM to ramp up again. Plus, there shouldn't be anything too alarming about recent results with respect to CM's long-term outlook.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a large multinational energy transportation and infrastructure company. It's often thought of as a toll-road operator of sorts in the energy distribution space.

While Enbridge isn't directly producing commodities like oil, its business still relies on its production, since without these commodities, there'd be nothing to transport in the pipelines.

As such, recent turbulence in the global oil market has made it tough for this dividend-investing stock. The stock is down nearly 16% on the year and year-over-year quarterly revenue growth sits at -40%.

Now, investors might be looking at the stock and its past track record and figure it's a simple case of buying cheap. While I'll agree that Enbridge has shown resilience in the past, and it has access to support, it's still in a sticky situation.

This is highlighted by the current dividend-payout ratio. While the yield sits at 7.46% as of this writing, the payout ratio is coming in at 329.36%. That simply doesn't seem like an overly reliable yield at the moment.

While Enbridge has certainly displayed its resiliency in the past, the risk/reward proposition is just a bit too skewed towards risk. Given that the yield is unsustainable at these levels, long-term investors can find better dividend-investing value elsewhere.

Dividend-investing strategy

When searching for solid dividend-investing picks, it's crucial to seek out stocks with both reliable yields and reliable means for growth.

CM seems to have those boxes checked while still offering investors an outsized yield. Meanwhile, Enbridge might be one to stay away from given current circumstances.

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Date
2025/08/25
Date Created
2020/08/19
Author
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