2 Top Income Stocks Yielding 7% Today

Description

While the 2020 market crash hammered portfolios in March, most stocks recovered much of those losses in recent months. That's a relief for people with pension funds invested in diversified stocks.

Retirees and other dividend investors are now searching for unique opportunities to buy top-quality Canadian dividend stocks that still trade at cheap prices.

Let's take a look at two companies that offer above-average dividend yields right now with payouts that should continue to grow in the coming years.

Pembina Pipeline

Pembina Pipeline (TSX:PPL) (NYSE:PBA) trades near $33 per share at the time of writing and offers a 7.6% dividend yield. The stock is down from $53 earlier this year, so there is great upside opportunity on an economic recovery.

Pembina has grown steadily over the past 65 years through strategic acquisitions and investments in new projects across the existing asset base. The diversified business units help reduce risk and enable Pembina to offer a number of oil and gas midstream and marketing services to its customers.

Aside from pipelines, Pembina has operations that include gas gathering and processing, natural gas liquids infrastructure, logistics and export terminals.

Management moved quickly to shore up the balance sheet and boost liquidity in recent months to ensure Pembina can ride out the downturn. The company pushed some projects down the road, but still has a solid capital program in place.

Cash flow from operating activities slipped just 3% in Q2 2020 compared to the same period last year. The diversified customer base and businesses located across the value chain helped the company during the challenging quarter.

The energy sector remains out of favour due to weak oil prices, but the industry is slowly getting back on its feet.

Pembina pays its dividend monthly. This is attractive for income investors who want steady payouts to complement pension income.

Russel Metals

Russel Metals (TSX:RUS) owns and operates metals service centres, steel distributors, and an energy products division.

The stock tends to roll through cycles connected to the steel market. Trade disputes, tariffs, and volatility in economic activity all have an impact on results.

The share price rose from $15 in 2015 at the bottom of the past cycle to $30 in 2018. Challenges in the market saw it drift back to $22 by the start of 2020 and the pandemic briefly sent the share price as low as $11 in March.

Since then, Russel Metals has steadily recovered and now trades near $19 per share. At this price, investors can still pick up a 7.9% yield.

The board maintained the payout through the last downturn, so the dividend should be safe. Stimulus measures from governments and central banks across the globe should drive a surge in economic activity and infrastructure projects over the next couple of years.

This bodes well for Russel Metals and its shareholders.

The stock appears attractive at the current price. Investors who buy today get paid well to wait for the recovery to kick into gear. Given the nature of the sector and the stock's trading range over the past 15 years, I would look to hold Russel Metals until it gets close to $30.

The bottom line

Pembina Pipeline and Russel Metals appear oversold right now and pay attractive dividends that should be safe. If you have some cash sitting on the sidelines, these stock deserve to be on your radar.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:RUS (Russel Metals)

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