2 High-Yield Stocks I'd Buy With an Extra $10,000 Today

Description

Once in a while, investors come across a few extra dollars to invest in their TFSA or RRSP dividend funds.

The windfall might come from a family member, a lucky day at the casino, or the sale of the old boat that spent the last 10 years sitting in the yard. Regardless of the sort, the cash is always helpful.

Priority number one should be to pay off credit card debt. Once that is done, investors might want to buy a few top dividend stocks inside a TFSA or RRSP portfolio. The market rally erased many of the best deals, but some high-quality income stocks still trade at attractive prices right now.

Let's take a look at two top dividend stocks that deserve to be on your radar.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) just reported better-than-expected fiscal Q3 2020 earnings. The strong numbers come as a relief for investors who continue to monitor the impact of the pandemic.

CIBC bet big on the Canadian housing market after the Great Recession. The move to expand the mortgage portfolio resulted in strong profits over the past decade. COVID-19, however, poses risks. Investors wonder if high unemployment through next year could trigger a wave of defaults.

So far, government aid and mortgage deferrals helped borrowers get through the past five months. An uptick in defaults once the programs run out is expected, but the outlook might be better than originally anticipated.

Why?

CIBC's provisions for credit losses dropped significantly in fiscal Q3 2020 from the previous quarter, suggesting an improved outlook for the loan books. In the presentation, the company said just 2% of its lending portfolio is exposed to vulnerable sectors, including leisure, entertainment, and retail.

CIBC generated adjusted net income $1.24 billion in the three months that ended July 31. Adjusted return on equity came in at a solid 12.9%, and the company continues to maintain a strong capital position with a CET1 ratio of 11.8%.

The stock trades close to $104 at the time of writing. That's up more than 50% from the March low, but CIBC still offers a 5.6% dividend yield. The share price traded above $115 in the past 12 months, so there is decent upside potential as the economy recovers.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $43 right now compared to $57 in February. At the current price, investors can pick up a 7.6% dividend yield and simply wait out the turbulence in the energy sector.

Enbridge gets the bulk of its revenue from regulated businesses, but the slump in fuel demand in recent months put a dent in throughput on the company's oil pipelines. Enbridge plays a key role in transporting crude oil to refineries.

The liquids pipelines normally operate near capacity, and the situation will eventually normalize, as we move back toward a full reopening of the economy. Enbridge moves roughly a quarter of all the oil produced in Canada and the United States, so it is an integral player in the efficient operation of the economies of the two countries.

The stock appears oversold right now, offering a great opportunity to get above-average yield and a shot as some big gains in the next few years.

The bottom line

CIBC and Enbridge should be solid picks for a buy-and-hold TFSA or RRSP portfolio. If you only pick one, I would probably make Enbridge the first choice today.

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Date
2025/08/28
Date Created
2020/08/31
Author
aswalker