3 Cheap Dividend Stocks Offering Higher Yields Amid Lower Interest Rates

Description

It's hard to find value stocks, especially given the stellar bull run following the pandemic-led selloff. However, a few TSX-listed stocks continue to trade cheap, as the massive demand erosion and uncertain economic outlook continue to limit the recovery process.

While these stocks could take at least a couple of years to bounce back to the pre-pandemic levels, they continue to offer high dividend yields, which is pretty safe and sustainable.

If you are looking for high yields amid a lower interest rate environment, consider buying these dividend-paying stocks at a good bargain.

Pembina Pipeline

With its shares down about 37% year to date, North America's leading energy infrastructure company **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) offers great value and a high dividend yield. While the lower oil prices remain a drag on Pembina Pipeline's financial performance, it operates a low-risk business with diversified cash flow streams.

Pembina Pipeline pays its dividends through the fee-based cash flows from assets having no direct commodity exposure, suggesting that its dividends are safe, despite the uncertain energy outlook.

The company derives the majority of its adjusted EBITDA from the assets backed by fee-based, long-term contracts. Further, these contracts have agreements that reduce the volume and price risk.

Pembina Pipeline is paying a monthly dividend of $0.21 per share, reflecting an annual dividend yield of over $8.8%.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is another top TSX stock offering a stellar dividend yield. Its stock is trading cheap, reflecting a year-to-date decline of over 19%. The higher provisions for credit losses and lower interest rates remained a drag on bank stocks. However, with the sequential improvement in the provisions, the pressure on the bank's bottom line is likely to ease.

The bank's dividends have grown by 6% annually over the last decade, thanks to its ability to generate solid earnings growth. Further, with the uptick in economic activities, Bank of Nova Scotia is likely to witness an acceleration in loans and deposit volumes, which should support the recovery in its stock and drive its dividends.

Bank of Nova Scotia currently pays a quarterly dividend of $0.90 per share, with an annual dividend yield of 6.5%.

Enbridge

Speaking of stocks trading cheap and offering good dividends, consider buying the shares of energy infrastructure giant **Enbridge** (TSX:ENB)(NYSE:ENB). Like Pembina Pipeline, lower oil prices weighed on its stock. However, the company continues to pay robust dividends, thanks to its diversified cash flows.

So far, Enbridge stock is down about 23% this year and is trading at an attractive forward EV-to-EBITDA multiple of 11.4.

Enbridge is known for returning a boatload of cash to its shareholders in the form of dividends. Over the past 12 years, its dividends have grown at a CAGR (compound annual growth rate) of 14%. Besides, it paid about $6 billion in dividends last year.

Enbridge currently pays a quarterly dividend of $0.81 per share, reflecting an annual dividend yield of 8.5%.

Bottom line

These stocks are trading cheap for good reasons, and it could at least 24 months for these companies to reach the pre-pandemic level. However, the payouts of all these companies are pretty safe. A $10,000 investment in each of these stocks could fetch you an annual dividend income of about $2,385, which reflects a high annual yield of about 8%.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:BNS (Bank Of Nova Scotia)

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