Canadian Investors: Buy These 2 Cheap Dividend Stocks Offering Higher Yields

Description

Boosted by the stimulus from the government and central bank, the Canadian equity markets have recouped the majority of their losses. But the recovery rate in a few TSX stocks has been slower and are currently available at attractive valuations. So, investors can lap up these dividend stocks while still trading at a discount to earn a stable passive income.

A mid-stream energy company

Amid the energy sector's weakness, **TC Energy** (TSX:TRP)(NYSE:TRP), which operates pipelines and power generation and storage facilities, has lost close to 24% of its stock value this year. The decline in oil demand and price fluctuations have lowered the company's throughput in the liquids pipeline segment, which has weighed on its financials.

In its recently reported third quarter, TC Energy's adjusted EPS fell 8.7% year over year to $0.95. The decline in uncontracted volumes and lower contributions from its liquids marketing activities dragged its EPS down.

However, TC Energy's cash flows remained strong, with the net cash flows from its operations increasing by 12.5% to $1.78 billion. Its cash flows were supported by its rate-regulated businesses, which generate approximately 95% of its adjusted EBITDA.

Further, the company continued to advance its $37 billion secured capital program by placing over $3 billion of assets into operations in the first three quarters of this year. Once all those $37 billion worth of projects become operational, the company would generate around 98% of its adjusted EBITDA from rate-regulated projects. So, I believe the company's outlook healthy.

Supported by its strong cash flows, TC Energy has increased its dividends at an average of 8.2% annually for the last 10 years. Currently, the company's dividend yield stands at an attractive 6.2%. Further, the company's management has announced to increase its dividends by 8-10% in 2021 and 5-7% from there onwards. Given its stable cash flows and its attractive dividend yield, TC Energy would be an attractive buy for income-seeking investors.

A bank with a long dividend-paying streak

Toronto-Dominion Bank (TSX:TD)(NYSE:TD), which has been paying dividends for the past 164 years, has fallen by 17.7% this year. The increased provisions for credit losses have weighed heavily on the company's financials and its stock price.

In the July ending quarter, Toronto-Dominion Bank's adjusted EPS declined by 30.2% to $1.25 per share. The net income from its Canadian retail segment and the United States retail segment declined by 33% and 48%, respectively, due to higher provisions for credit losses and lower net interest margin and fee income.

However, the increase in loan and deposit volumes in both segments are encouraging. Further, its Wholesale Banking segment reported an 81% increase in its net income due to higher trading-related revenue and underwriting fees.

Amid the improvement in economic activities after the pandemic-infused lockdown, I expect the company's financials to stabilize over the next few quarters, given its strong portfolio and geographic mix.

Over the last decade, Toronto-Dominion Bank has increased its dividends at an annual rate of 10%. The company currently pays quarterly dividends of $0.79 per share, representing a dividend yield of 5.3%.

Bottom line

With economies across the world going through a challenging period, the central banks will not hurry to raise the interest rates. So, amid the weak returns on debt instruments, these two safe dividend stocks can deliver a stable passive income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TRP (Tc Energy)
3. TSX:TD (The Toronto-Dominion Bank)

4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/21
Date Created
2020/11/05
Author
rnanjapla