2 Safe High-Yield Dividend Stocks if You’re Worried About a Market Pullback

Description

2020 was a devastating year in every respect for most people. As the virus wreaked havoc worldwide, governments reduced interest rates to stimulate the heavily damaged economy.

The market crash with the onset of COVID-19 presented plenty of bargains on the stock market that savvy investors capitalized on before the markets bounced back. Dividend stocks were far from the top-performing stocks in 2020 in terms of growth. However, growth does not necessarily make dividend stocks excellent assets to add to your portfolio.

With markets soaring again, there is an increasing risk of another market correction. I will discuss two high-yield dividend stocks that you should consider adding to your portfolio to secure passive income and grow your wealth, despite bearish market conditions.

Financial institution dividend stock

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is a top stock for any type of investor portfolio. CIBC has had a prolific performance, despite the economic fallout due to COVID-19. The bank recently released its first-quarter results, beating expectations in every respect.

Despite its earnings blowout, the bank’s historical performance has caused concerns, causing its valuation to remain low. The stock is an excellent bargain at the stock market right now, and it offers a high dividend yield of 4.77% at writing.

Its lower valuation has inflated the dividend yield for the stock, making it the highest-yielding banking stock among Canada’s Big Six banks. CIBC’s historical dividend growth is not as high as the other banks, and the financial institution does not have an extensive foreign presence as some of its peers.

However, its payout ratio of 63% means that it can safely continue paying out dividends to its shareholders.

Utility sector operator

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN) is an excellent stock to consider adding to your portfolio if you are looking for stability. Utility companies like Algonquin can continue generating revenues no matter what the economic environment is like.

Consumers depend on its services to cover basic living needs. The dependency allows Algonquin to continue creating substantial cash flows.

Algonquin is also an ideal prospect due to its mixture of traditional and renewable energy structure. Green energy is a sector many investors are bullish on, and it could become the top-performing stock in the next decade. Algonquin's renewable energy infrastructure can provide investors with market-beating growth over the long term.

The stock is trading for $19.23 per share at writing, and it sports a juicy 4.12% dividend yield. Adding it to your portfolio could set you up for massive returns through its dividends and long-term returns through capital gains.

Foolish takeaway

It remains to be seen when the next market correction will happen. But when it does, there are chances that the next one will not see a rapid recovery like the market crash last year. It would be wise to prepare your portfolio for the possibility of a market pullback.

Investing in safe and reliable dividend-paying stocks like Algonquin and CIBC could be an excellent way to begin.

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