2 Canadian Stocks With Dividend Yields Over 4.5%

Description

Looking for stocks with high dividend yields? Then Canadian markets are where you want to be.

There's not a whole lot of yield in U.S. stocks these days. 11 years of strong gains has taken the S&P 500's yield to a dismal 1%, and more gains will only make it lower. In Canada, it's been just the opposite situation. Gains have been comparatively weak (though not horrible), resulting in high dividend yields. If you buy a TSX index fund today, you'll get an approximate 2.5% yield. That's not bad in itself. But you can do even better with individual Canadian stocks. In this article, I'll look at two Canadian stocks that have yields over 4.5%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is an energy stock with a monster 7% yield. The company has been increasing its dividend for years, while its stock price has barely budged. As a result, it has climbed up to a truly phenomenal yield. If you invest $100,000 in Enbridge, you'll get back $7,000 in dividends every year. That's assuming the dividend doesn't increase. But it is quite likely to increase. Enbridge has increased its dividend every single year for the last five years. Even in 2020, when COVID-19 was ravaging the economy, Enbridge managed to squeak out a 3% dividend increase. Despite all of these increases, Enbridge only pays out about 71% of its distributable cash flow (DCF) as dividends. This speaks to a company that pays out massive income to investors while still investing adequate amounts of money back into its operations.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSECM) is a Canadian bank stock that yielded 4.51% at the time of this writing. For most of 2020, its yield was well over 5%, because its stock fell during the COVID-19 stock market crash. For a while there, things were looking scary for banks. The COVID-caused economic downturn made their loans look riskier. As a result, CM and its peer banks raised their provisions for credit losses (PCLs), which took earnings lower. Later, however, the economy began to re-open, and the banks started lowering their PCLs. That caused earnings to spike.

CIBC probably had the biggest post-COVID earnings boost of all the Big Six Canadian banks. In its most recent quarter, it posted the following metrics:

- Net income: $1.625 billion, up 34% year over year
- Adjusted net income: $1.64 billion, up 11% year over year
- Diluted EPS: $3.55, up 35% year over year
- Adjusted diluted EPS: $3.58, up 10% year over year

They were incredible results. And they speak to the fact that CIBC is already beginning to walk off the damage it took because of COVID-19. In the first quarter, CIBC lowered its loan-loss provisions by $114 million. That accounts for the lion's share of the growth in the quarter, although some business units like Canadian Wealth Management saw solid pre-provision earnings growth as well. Overall, the company's result suggest that it will be able to keep paying — even increasing — its generous dividend for a long time to come.

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