2 of the Best TSX Dividend Stocks With Yields Near 7%

Description

While it may be reckless to opt for dividend yields north of 7% without putting in the homework, I'd argue that there are many high yielders out there that aren't necessarily traps waiting to serve up income investors with a dividend cut and steep capital losses.

So, if you're looking to extend your passive income fund a bit further, consider names like **KP Tissue** (TSX:KPT) and **Enbridge** (TSX:ENB)(NYSE:ENB), which boast dividend yields of 7% and 6.6%, respectively, at the time of writing. While each company may have a yield that's at a historically high point, neither payout appears to be skating on thin ice. In fact, given the current macro backdrop and relatively stable operating cash flows, each firm's dividend is secure despite its size.

Without further ado, let's have a closer look at each dividend stock to see which is worthy of stashing in your passive income fund.

KP Tissue

KP Tissue is one of the more boring companies on the **TSX**. It's a tissue products manufacturer that spiked last year, as people started hoarding toilet paper and tissue products in response to the COVID pandemic. Fast-forward to today, and the stock has plunged 25% off its 2020 high, essentially surrendering most of the gains during last year's surprising spike.

With a juicy 7% dividend yield, KP Tissue is a great sleeper pick for any passive income investor who's willing to forego some capital appreciation for the added income jolt. The stock has been a turbulent ride over the past five years, thanks in part to fluctuating input costs. While input costs and commodities are nearly impossible to predict, I do think that buying at a name like KP at a time when such input costs are unfavourable can be a wise move. Nobody knows when input costs will be highly favourable again. Regardless, I'm a fan of the payout. Just don't expect much in the way of capital gains over the medium term.

Enbridge

Canadian energy stocks roared higher on Monday, as West Texas Intermediate (WTI) prices rallied above the US$70 mark once again. The big up day for oil was the tide that lifted all boats across Canada's neglected energy stocks. Enbridge rose over 1% before finishing the day up 0.7%, adding to the stock's incredible rally off its $35 lows hit later last year.

Whether the top pipeline returns to its former glory remains to be seen. But one has to be a fan of the improving macro backdrop and the incredibly cheap valuation to be had. Despite soaring over 42% since those early-November 2020 lows, the stock remains cheap, and the yield remains swollen at just shy of 7%.

As Enbridge's management team continues to execute, I expect Enbridge can sustain its current climb. And the yield may very well compress below the 6% mark due to continued appreciation in the stock. So, investors looking for a handsome payout should look to initiate a position here and on any dips moving forward. It's been a while since Enbridge looked this good. At just 16.9 times trailing earnings, I think the $103 billion pipeline giant represents one of the better values in the energy patch today.

As an added bonus, the company has an "A-" CDP score, a gauge of a firm's willingness to tackle climate change. For a TSX energy stock, that's a great grade. And it's thanks in part to the firm's sustainable push to offset emissions.

CATEGORY

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3. TSX:KPT (KP Tissue Inc.)

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Date
2025/08/20
Date Created
2021/09/14
Author
joefrenette