3 Super Dividend Stocks to Own When Rates Rise

Description

Canada's inflation rate hit 4.8% in December 2021. This was up from the 4.7% CPI in November, marketing the fastest pace of inflation since 1991. The Bank of Canada (BoC) will now face growing pressure to move quicker on its planned interest rate hikes in 2022. Investors should actively prepare for a move upward when the BoC convenes on January 26. Today, I want to look at three top dividend stocks that are worth holding, as central banks pursue a rate-tightening path. Let's dive in.

Why I'm stacking Suncor in January 2022

Suncor (TSX:SU)(NYSE:SU) is one of the largest integrated energy companies in Canada. Oil prices have been red hot in early 2022. This has propelled Suncor and its peers. Shares of this dividend stock have climbed 18% month over month as of close on January 19.

Historically, energy stocks have performed well during rate-tightening cycles. Suncor's energy business is robust and worth trusting for the long term. Its shares last had a price-to-earnings (P/E) ratio of 22, putting Suncor in favourable value territory at the time of this writing.

This dividend stock offers a quarterly distribution of $0.42 per share. That represents a very solid 4.7% yield.

Here's why dividend stocks in the financial space can benefit from higher rates

The financial sector is worth seeking exposure to, as central banks gear up for interest rate hikes. Canada's top lenders may see their loan book growth slow. However, profit margins at Canada's top banks will also increase in this environment. Investors should target dividend stocks in the financial sector today.

TD Bank (TSX:TD)(NYSE:TD) is the second-largest financial institution in Canada. It also boasts the largest footprint in the United States compared to its top peers. On a side note, the U.S. Federal Reserve is also set to pursue rate tightening. That means TD Bank could benefit on two fronts from improved margins.

Shares of this banking dividend stock climbed 40% in 2021. The stock has jumped 2.2% so far this year. TD Bank offers an immaculate balance sheet. The stock has a solid P/E ratio of 13, and it offers a quarterly dividend of $0.89 per share. That represents a 3.5% yield.

One more dividend stock to snag in this climate

Canadian Western Bank (TSX:CWB) is another bank stock I'd target ahead of the BoC's big rate decision. This regional bank has flown under the radar compared to its Big Six peers. Shares of this dividend stock increased 31% in 2021.

In 2021, the bank delivered loan growth of 9% to $32.9 billion. Meanwhile, branch-raised deposits increased 16% to $19.3 billion. This regional bank is another very strong target, as investors prepare for a slew of interest rate hikes in 2022. Shares of this dividend stock possesses an attractive P/E ratio of 10. Moreover, it last paid out a quarterly dividend of $0.30 per share. That represents a 3% yield.

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