3 Low-Risk Stocks With Unbelievable Dividends

Description

Canadians hardly talked about inflation in 2020 when COVID-19 was spreading. The annual inflation rate was only 0.7% before rising to 3.4% in 2021. This year, the reading rose to as high as 8.1% mid-year and fell to 7.6% in July.

Stock investors are jittery, because more rate hikes to bring down inflation heighten market volatility and could eventually lead to a recession. The safe approach in a challenging environment is to invest in companies with stable businesses and unbelievable dividends.

Growth-oriented power producer

Capital Power (TSX:CPX) is a safe place to park your money and earn a substantial extra income simultaneously. This $6.02 billion growth-oriented company is an independent power producer in Canada and the United States. It owns utility assets (27 facilities) with a total power-generation capacity of approximately 6,600 megawatts.

The latest growth driver is the 50/50 joint venture with **Manulife** Investment, which acquired Midland Cogeneration Venture (MCV). MCV is North America's largest gas-fired cogeneration facility. According to Capital Power, MCV has highly contracted cash flows to 2030 and 2035 from long-standing counterparties.

In the second quarter (Q2) 2022, Capital Power impressed investors with a 353% year-over-year profit jump to $77 million. Apart from the market-beating returns in 2022 (+34.44% year to date), the utility stock pays a hefty 4.5% dividend. The current share price is $51.72.

One of the compelling reasons to invest in Capital Power is the nine consecutive years of dividend growth. Based on management's guidance, the dividend will increase annually between 5% and 6% through 2025, and the increase will begin in Q3 2022.

High long-term prospects

Keyera (TSX:KEY) is a top choice today for its high yield (5.91%) and monthly dividend payments. At $32.31 per share, the energy stock outperforms with its 18.02% year-to-date gain. Because of the tight oil market and high long-term prospects for oil, the stock price could still soar.

The $7.14 billion company provides diversified energy solutions (liquids infrastructure, gathering & processing, and marketing) to clients in the oil & gas midstream industry. In the first half of 2022, net earnings increased 74% to $286.8 million versus the same period in 2021. Keyera's cash flow from operating activities grew 72% year over year to $655.81 million.

Safe and solid prospect

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) reported lower net income in Q3 fiscal 2022, but it doesn't mean the big bank stock isn't a safe and solid investment prospect. Its president and chief executive officer Victor G. Dodig said, "As the economic environment continues to evolve, we remain focused on delivering shareholder value."

In the three months ended July 31, 2022, net income fell slightly by 4% to $1.66 billion versus Q3 fiscal 2021. Nevertheless, Dodig noted the strong growth across CIBC's businesses. The $57.95 billion bank also increased its provision for credit losses (PCL) by 145% to $243 million to safeguard against a possible credit quality deterioration. At only $64.11 per share, you can partake of CIBC's 4.98% dividend yield.

Opportunity to earn

Canadian investors, including beginners, can still invest, despite the volatility, provided they take a defensive position. Capital Power, Keyera, and CIBC are relatively low-risk dividend stocks whose respective businesses can overcome the present headwinds.

CATEGORY

1. Investing
2. Stocks for Beginners

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:CPX (Capital Power Corporation)
4. TSX:KEY (Keyera Corp.)

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