Beginners: 2 Heavyweight Stocks to Buy and Outrun Inflation

Description

Stock market investing always carries a degree of risk even if the market is performing well. This year, however, hasn't been the best for stocks due to the negative impact of runaway inflation and rising interest rates. Nevertheless, investors, including first-timers, have a pair of safe stocks they can turn to in these choppy waters.

You'd be taking less risk by buying heavyweight stocks like **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Energy is the top performing sector since 2021, while Canadian Big Banks have been bedrocks of stability for decades now. Their high dividend yields should also help you outrun inflation.

Monthly passive income

Rising energy prices and volume growth have strengthened Pembina's financial position in 2022. The business of this $25.87 billion energy transportation and midstream service provider also has several built-in protections to counter inflationary pressures.

In Q2 2022, the adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) of $849 million was a new record in a second quarter. In the first half of 2022, the earnings of $899 million represents a 56.6% year-over-year growth. Notably, cash flow from operating activities rose 21% to $1.25 billion versus the same period in 2021.

Pembina is advantaged in that many of its long-term arrangements with customers have built-in inflation adjustment mechanisms in the toll structure. This enables the company to periodically adjust tolls for short-term interruptible arrangements depending on market conditions.

Because of the price strength in crude oil, natural gas, and natural gas liquids (NGL), management maintains a positive outlook and expects additional future growth in its entire value chain. But the truly compelling reason to invest in Pembina is its ten straight years of annual dividend hikes.

If you invest today ($46.61 per share), the dividend yield is a fantastic 5.6%. Since the dividend payout is monthly, a $15,000 investment will generate $70 every month. As of this writing, Pembina investors are up 26.02% year-to-date.

Consistent quarterly payouts

CIBC has less international exposure compared to sector peers, but it's a strong retail bank domestically. Since the Big Bank stock trades at a discount (-11.12% year-to-date), the current share price of $64.01 is a good entry point. Moreover, the 5.19% dividend yield is the second highest in the banking sector.

Despite the 4% decline in net income to $1.66 billion in Q3 2022 versus Q3 2021, the stock's quality hasn't diminished. Victor G. Dodig, CIBC's President and CEO, said, "In the third quarter, we continued to deliver strong growth across our business. As the economic environment continues to evolve, we remain focused on delivering shareholder value."

Management had to increase its provision for credit losses (PCLs) from $99 million to $243 million during the quarter due to an unfavorable change in its economic outlook as well as unfavorable credit migration.

The $57.27 billion bank is not immune to market volatility, but it's no stranger to economic downturns. Furthermore, CIBC's dividend track record of 154 years is proof of its ability to ride out a bear market and pay dividends consistently every quarter.

Anchor stocks

Pembina Pipeline and CIBC are ideal anchors if you're just getting started with a stock portfolio. These heavyweight stocks will not stall or disrupt your long-term financial goals.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin

4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. agraff
2. cliew

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

Date
2025/08/15
Date Created
2022/09/21
Author
cliew