This High-Yield Canadian Stock Is a No-Brainer

Description

The Canadian stock market's selloff recently became more intense, as the U.S. Federal Reserve introduced another interest rate hike. It was the third consecutive hike by 75 basis points, making it a total of five jumps so far in the U.S. key interest rates this year. As of this writing, the **S&P/TSX Composite Index** is down by 14.56% from its 52-week high and up by just 3.55% from its 2022 low.

Valuations have declined across the board, resulting in significant losses for many investors. However, savvier investors can use this as an opportunity to invest in high-quality dividend stocks to lock in inflated yields. Investing in top-notch stocks trading for significant discounts also means wealth growth through capital gains when the markets normalize.

Today, I will discuss a Canadian energy stock you can consider adding to your investment portfolio if you want to capture high-yielding dividends that line your account with additional money every month.

Freehold Royalties

Freehold Royalties (TSX:FRU) is a $2.43 billion market capitalization Canadian energy company primarily acquiring and managing oil and natural gas-producing properties throughout North America. As of this writing, Freehold Royalties stock trades for $16.16 per share, up by 33.89% year to date.

Freehold Royalties stock pays its investors a share of its profits through high-yielding dividends each month. Despite the overall state of the Canadian stock market, Freehold Royalties stock has outperformed most Canadian equities this year. The commodity price instability has impacted its performance, but not enough to make it underperform compared to the broader market.

The company's June-ending quarter saw it hit a new record for its funds from operations for the third consecutive quarter. Its expanding portfolio of assets across North America is the primary reason for its excellent performance. The Canadian energy company has increased exposure to U.S. pricing in recent quarters, further boosting its growing funds from operations.

The recent decline in energy product prices will likely negatively impact the entire energy sector's profits. However, persistent supply issues could lead to another rise in commodity prices, allowing Freehold Royalties stock to grow its profit margins again. The more it profits, the greater its ability to distribute reliable monthly payouts. As of this writing, Freehold Royalties stock boasts a juicy 6.68% dividend yield.

Foolish takeaway

Considering its high earnings potential and solid business model, Freehold Royalties stock seems like a no-brainer addition to investor portfolios. However, it is essential to remember there are risks involved with investing in energy stocks today.

A recession in the coming year can lead to diminished energy demand, leading to declining commodity prices. Of course, Russia's war with Ukraine could catalyze positively for the energy sector. The longer the war keeps going on, the more the demand for North American energy products will be.

The U.S. has been pumping a million barrels per day from its Strategic Petroleum Reserves to keep energy prices under control, but that stopped this month. It would not be surprising to see energy prices surge again, providing tailwinds to Canadian energy stocks.

It is difficult to predict the short-term developments impacting the energy industry. If you are willing to assume the risk of investing in the energy sector, despite the unpredictable developments, Freehold Royalties stock can be an excellent income-generating asset to own.

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1. Dividend Stocks
2. Energy Stocks
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