3 High-Yield Canadian Stocks to Buy Right Now

Description

Markets could continue to trade volatile, given the macro challenges. Dividend names will likely be in the limelight and could outperform in the long term. Here are three high-yield Canadian stocks to buy in October 2022.

Canadian Natural Resources

Canada's biggest energy producer, **Canadian Natural Resources** (TSX:CNQ) is a dividend giant on the TSX. It currently yields 6%, including special dividends, and has increased payouts for the last 22 consecutive years.

Canadian Natural's earnings are relatively volatile, because of its exposure to oil prices. However, its balance sheet strength and earnings profile facilitated such a long dividend increase.

Besides dividends, CNQ stock has generously rewarded investors in the last few years. Thanks to higher oil prices, CNQ stock has returned 35% this year and 400% since the pandemic.

Canadian Natural has witnessed superior financial growth, notably strengthening its balance sheet in the last few quarters. So, even if oil prices fall next year, its dividend growth will likely remain intact.

At the same time, if oil prices remain higher, investors can expect higher returns on both dividend and capital gain front, at least for the next few quarters.

Pembina Pipeline

Energy pipeline businesses are relatively less risky and often pay handsome dividends. **Pembina Pipeline** (TSX:PPL) is one such name that yields a juicy 6% at the moment. It has returned a decent 11%, while broader markets have tumbled 12% so far in 2022. In the last 10 years, it has returned 170%, including dividends and has outperformed its peers.

Pembina Pipeline derives nearly 60% of its earnings from the pipeline business, while the rest comes from storage and marketing verticals. Almost 88% of its business comes from fixed-fee or take-or-pay contracts, which facilitates stability.

This earnings stability enables consistent dividend growth and has driven its payout increase since 1998. Pembina could continue to raise its shareholder payouts for the next few years, mainly due to its earnings predictability.

Canadian Utilities

Canadian Utilities (TSX:CU) is one of the country's biggest utilities. It currently yields a decent 5%, higher than TSX stocks. Note that Canadian Utilities has increased its dividends for the last 50 consecutive years, the longest streak for any Canadian publicly traded company.

Canadian Utilities derives its earnings from regulated operations, which enable stable earnings. Also, utility companies see steady demand for their services, regardless of the economic cycle. As a result, companies like Canadian Utilities witness stable growth even during a recession.

CU stock has dropped 16% since August. It's not just CU; almost all utility stocks have seen similar weaknesses in the last few months. This is because interest rates and utilities trade inversely to each other. Central banks have been on a rate hike spree this year, weighing on utility stocks. Rate hikes made bonds relatively more attractive than utility stocks.

However, this is a rare opportunity to grab CU stock at such depressed levels — and not because the stock is set to recover soon; the weakness could persist for the next few months. But if you want to lock in a decent dividend yield, investors can consider accumulating a position in CU at these levels.

CATEGORY

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1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:PPL (Pembina Pipeline Corporation)

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