



## 1 Oversold Dividend Stock (With a 9.9% Yield) to Buy in December 2022

### Description

There are some massively high yields out there for those looking for the right dividend stock to buy. Despite the market remaining down, not all of these stocks are a deal. That's why a great way to find stocks trading below fair value is to look for those in oversold territory.

An oversold dividend stock is one that trades with a relative strength index (RSI) below 30. And really, there's only one of these that I would consider on the **TSX** today. And it currently boasts a dividend yield of 9.87%!

### Algonquin Power

**Algonquin Power & Utilities** ([TSX:AQN](#)) is the one dividend stock most investors should recognize within the list of oversold stocks at the moment. It currently trades with an RSI of 29.8, putting it just within oversold territory.

Now there's a reason for this. Shares of Algonquin stock fell into oblivion in recent months. At first, AQN stock fell as part of the broader fall in the utility sector. After months of providing protection for investors as an essential service, shares rose too high. This led to a drop-off as investors looked to lock in returns ahead of a potential recession.

However, Algonquin stock was hit even harder this month. This came from less-than-stellar earnings, and the warning that things could get worse before they get better.

### What happened?

While Algonquin stock saw year-over-year growth in the quarter, hiking interest rates and the delay of tax incentives for renewable energy projects hurt the company, management said. It's this latter part that's really hurt the company it seems. The company is hoping to continue its history of growth, and that includes its transition to clean energy. But that's difficult when interest rates are high and tax incentives aren't coming in.

Therefore, it could be even longer before its Kentucky Power acquisition comes through and goes online. Because of this, Algonquin stock may not be the acquisition powerhouse that many investors have become used to.

The quarter showed adjusted earnings before interest, taxes, depreciation and amortization increased by 10% year over year. However, net earnings fell by 25%, with net earnings per common share down 27% to \$0.11.

## So why buy?

It's important to note when a company is going through a tough time whether it's a long-term problem, or short. In the case of Algonquin stock, this looks like it's going to be a short-term issue based on the rising interest rates. In fact, its growth in the [renewable energy](#) sector could cause AQN stock to shoot up in the next decade.

That being said, if you're a retiree looking for passive income from this dividend stock, it may be best to go elsewhere. In the short term, the company is going to have to make some tough choices to get back on strong financial footing. This could indeed lead to even a [dividend](#) cut, as a 9.87% yield isn't sustainable for most companies.

## Bottom line

Algonquin stock currently offers a \$0.98 dividend per year. That could be cut in half in the coming years. But right now, if you're looking at this company as a long-term hold, you're still likely to do well. Algonquin stock is down 41% year to date. Though it's still up 142% in the last decade. So you could very well see your shares easily double in the next decade and beyond.

Meanwhile, you'll still be collecting passive income from this dividend stock that hopefully will retain its Dividend Aristocrat status. So for long-term holders, this is definitely a deal I wouldn't want to miss out on. But for retirees needing passive income today, it's a risky investment I would avoid for now.

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#### **Date**

2025/08/14

#### **Date Created**

2022/12/01

#### **Author**

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