2 Stocks for Bountiful Passive Income

Description

Passive-income investors have a lot of opportunities to get slightly higher yields for below-average historical multiples. Indeed, there's a rate-fueled recession that may be peering around the corner. However, longer-term investors need not fear a recession, especially one that's been flashing red on many investors' radars.

Undoubtedly, it's hard to tell how much recession risk is truly priced into any income stock at this juncture. Regardless, those seeking to get a higher yield shouldn't be deterred from buying on weakness. Over the course of the long haul, buying stocks or real estate investment trusts (REITs) at bear market moments can be quite rewarding, provided the security's payout is secure.

In this piece, we'll consider two bountiful passive-income plays that seem too cheap after more than a year of volatile moves in both directions. While a recession could continue to weigh on nearer-term cash flows, I view the "swollen" payouts of both firms as reasonably safe, even if the coming recession ends up a bit spicier than mild.

Consider **Canadian Tire** (TSX:CTC.A) and **SmartCentres REIT** (TSX:SRU.UN), which boast yields of 4% and 6.73%, respectively, at the time of writing.

Canadian Tire

Canadian Tire stock spiked higher over the past few weeks, thanks in part to impressive earnings results in its latest quarter. Sales were up just 0.3%, as discretionary items sales experienced some softness. Meanwhile, net income came in at $535.7 million. That beat expectations, causing Canadian Tire shares to jolt higher past the $170 mark. As the recession moves in, management is looking to its auto service business and other more resilient divisions to weather the storm.

Undoubtedly, Canadian Tire has an opportunity to become somewhat less of a discretionary retailer. Recent moves into pet food and other "essential" categories may be what helps Canadian Tire continue to race higher while headwinds continue to weigh.

Amid turbulent times, Canadian Tire continues to impress. The stock is up nearly 25% since its late-

December low. Still, I find there's still value left in the name, as it looks to come roaring back. The stock trades at just 10.3 times trailing price to earnings. After a robust and better-than-feared quarter, I think it's time to give the retail icon the respect it deserves.

SmartCentres REIT

SmartCentres is a retail REIT that's getting into the residential space. Undoubtedly, it's been a rough ride for SRU.UN shareholders over the past few months. Shares are down around 17% off 52-week highs after climbing back from a nearly 25% peak-to-trough decline on the year.

Smart continues to command a respectable occupancy rate (around 98%). That's pretty much back to pre-pandemic levels. As the REIT continues to expand its presence, while pushing forward with its residential expansion, I'd look for Smart's already bountiful distribution to increase further from here at some point over the next three years.

Indeed, higher rates and a recession are never good news. But Smart has already dealt with worse during the 2020 lockdowns. As the recession comes and goes, look for Smart to be a rewarding option for smart passive-income investors seeking a solid risk/reward scenario.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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