Yields are on sale, but the bargains may not last long

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Income-oriented investors must be feeling like kids in a candy store these days. There are great deals everywhere you look.

Whether you prefer stocks, ETFs, REITs or preferreds, cash flows of 5 per cent or more abound. We haven’t seen anything similar in decades.

The reason for this yield bonanza is clear: inflation, which has prompted the[Bank of Canada](https://www.theglobeandmail.com/topics/bank-of-canada/)and the U.S. Federal Reserve to raise interest rates at the fastest pace in 40 years. Combined with an inverted yield curve, the result has been across-the-board increases in investment cash flow.

Even short-term securities have cracked the 5-per-cent ceiling. Based on the current level of distributions, HISA (high-interest savings account) ETFs are currently yielding around 5 per cent. They include the CI High Interest Savings ETF

, which currently has a forward yield of 5.1 per cent, based on my calculations. The Purpose High Interest Savings Fund (PFA-T) and the Horizons High Interest Savings ETF [CASH-T](https://www.theglobeandmail.com/investing/markets/inside-the-market/article-yields-are-on-sale-but-the-bargains-may-not-last-long/theglobeandmail.com/investing/markets/stocks/CASH-T/) both have a forward [yield](https://www.theglobeandmail.com/topics/yield/)of 4.9 per cent.

It’s important to note that neither forward nor trailing yields are accurate predictors of what your money will earn over the next year in these funds. Trailing yields will skew the return to the downside because rates were much lower a year ago. Forward yields assume the current rate of the monthly distribution will be maintained. That’s unlikely in this turbulent[interest rate](https://www.theglobeandmail.com/topics/interest-rates/) environment. So be skeptical of yields in these funds and be prepared to move money quickly if they start to decline.

Unusually, HISA ETFs offer better yields at this time than traditional bond ETFs and mutual funds. But you can find bond fund returns in the 5-per-cent range in some fringe areas.

One example is the iShares U.S. High Yield Bond Index ETF (CDN Hedged). The name tells the story. The fund invests in a wide-ranging portfolio of U.S. high-yield bonds. At a current monthly distribution of $0.078 ($0.936 annually), the forward yield is 5.85 per cent. The ETF lost 11.5 per cent in 2022 but is ahead 5.2 per cent this year. It has $405-million in assets but should be viewed as high-risk.

If you want something safer, try GICs. Several small companies offer one-year terms of more than 5 per cent, according to [ratehub.ca](http://ratehub.ca/), with Motive Financial topping the list at 5.6 per cent. There are even a few five-year GICs in this range, led by EQ Bank at 5.1 per cent. But long-term yields are generally lower than short-term ones because of the inverted yield curve we’re currently experiencing.

Yields of 5 per cent and more are easy to find in the equity markets. You don’t have to look far – most interest-sensitive stocks are offering yields at levels we’ve rarely seen. The following examples are my calculation based on current dividends and the closing price on July 28.

In the pipeline sector, TC Energy  is paying 8.2 per cent after the shares sold off last week following its sale of 40 per cent of its interest in Columbia Gas Transmission and Columbia Gulf Transmission pipelines and the announcement that the company will split into two publicly traded entities next year. The yield on Enbridge shares is currently 7.4 per cent, while Pembina Pipeline pays 6.5 per cent.

Utilities are in a similar situation. Emera pays 5.1 per cent, Canadian Utilities offers 5.4 per cent, and Capital Power is at 5.6 per cent. Industry leader Fortis is an outlier at 4 per cent.

In the REIT sector, RioCan yields a healthy 5.4 per cent. Choice Properties REIT  is also at 5.4 per cent, while Primaris  is at 6.2 per cent and Slate Grocery REIT  is offering 8.5 per cent.

You can even find 5-per-cent-plus yields among the major banks, which is rare. Check out Bank of Nova Scotia which yields 6.4 per cent. CIBC is also in this group at 6 per cent.

I’ve just scratched the surface here. There are many other stocks with yields of 5 per cent or more. If you want a portfolio with strong cash flow, they’re easy to find.

Perpetual preferred shares are another option. It’s easy to find yields of more than 6 per cent with high credit ratings from companies such as Fortis.

I don’t think we’ll see yields in this range a year from now. Take advantage of them while you can.