This Company Is Your Best Defence Against Rising Interest Rates

Description

One of the largest pipeline companies in North America, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) has proven to be a growth powerhouse for many years and is poised to continue growing at an impressive rate with a number of major projects in the "pipeline."

Here's why Enbridge makes a great defensive play for investors looking to combat rising interest rates in the Canadian and U.S. markets.

It's all about the dividend

Most investors who consider a company like Enbridge look first at the pipeline giant's rather large dividend yield. Currently sporting a yield of 4.8%, many analysts believe that at this yield level, Enbridge is one of the safest securities to own. The company's dividend is supported by a robust operating business with significant operating cash flow generation and improving free cash flow numbers, making this a business to buy and hold forever for investors looking to take a nearly 5% yield to the bank.

The current yield for Enbridge is nearly the highest in its history, providing a rare opportunity for investors to profit from what appears to be a periodic spike in yield over a long period of time (the last time the company's dividend was this high was 2001). While the yield remains elevated, Enbridge's management team has publicly announced a plan to increase the company's dividend within a 10-12% range for the next seven years, meaning investors who buy this stock today at a 5% yield are likely to see their yield double in just seven short years due to the beauty of compound interest.

A 10% yield in only seven years? In the scope of a long-term investment horizon, that's just a blip in time.

One of the best ways companies can combat rising interest rates is to have high dividend yields and then grow those yields over time. This is the strategy Enbridge has decided to move forward with, and I believe it's a good one.

Bottom line

The aforementioned dividend-growth plan put in place by the company's management team is one of the main reasons I am watching this name closely. Investors seeking yield, long-term capital appreciation, and safety should keep Enbridge on top of their watch list.

I believe significant long-term upside remains with Enbridge at current levels. I would suggest investors interested in this company invest using a long-term dollar-cost averaging strategy, buying a few shares every month over time to take advantage of any modest dips or plateaus the company experiences.

Stay Foolish, my friends.

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chrismacdonald