



TSX Hits Record High: Which Stocks Should You Buy?

Description

The **S&P/TSX Composite Index** (TSX:^OSPTX) is hitting new record highs on a daily basis, and investors are wondering where they can find value in this lofty market.

Let's take a look at **Inter Pipeline Ltd.** (TSX:IPL) to see why it might be an attractive pick today.

Diversified businesses

IPL owns natural gas liquids (NGL) extraction assets, oil sands pipelines, conventional oil pipelines, and a liquids storage business in Europe.

The diversified revenue stream has helped the company navigate the oil rout in pretty good shape, and management has taken advantage of the downturn to add strategic assets at attractive prices, including the \$1.35 billion purchase of two NGL extraction facilities from The Williams Companies last year.

IPL bought the assets for significantly less than the cost to build them, so the investment could generate strong returns as market prices recover.

Cancelled mega-projects

The cancellation of Energy East and the Northern Gateway pipeline projects means Canadian oil will remain landlocked for much longer than expected.

Oil sands production is expected to increase, so the pipeline operators that already have infrastructure in place to serve the [major producers](#) are looking at strong demand for their services.

In addition, rising oil prices should boost conventional oil drilling activity, which is also good for IPL.

Upside potential

IPL has bounced off its 2017 low, but more upside could be on the way. If [oil prices continue to rise](#), and the company decides to go ahead with \$3 billion in capital projects under consideration, funds

could quickly flood back into this stock.

At the time of writing, IPL trades at \$26.20 per share. The stock was above \$38 in 2014, so the upside potential is significant.

Dividend yield

IPL pays its dividend monthly and offers an annualized yield of 6.2%. The company has raised the payout in each of the past three years and more increases could be on the way.

If the new capital projects get the green light, IPL should see revenue and cash flow increase in the coming years.

Otherwise, the Q2 payout ratio was about 73%, so there is room for higher distributions at current cash flow levels.

Should you buy?

The dividend should be safe and provides a nice payout, while you wait for the market to move back into the energy infrastructure sector. If you have some cash on the sidelines, IPL might be worth a shot today.

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