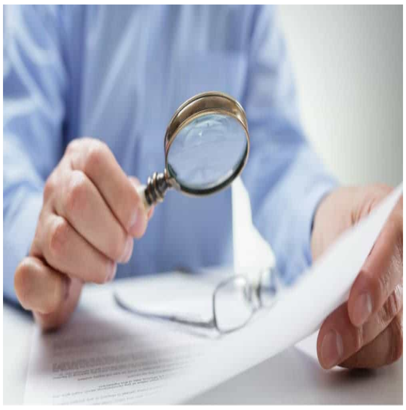

Enbridge Inc. or Hydro One Ltd.: Which High-Yield Dividend Stock Belongs in Your TFSA?

Description

The S&P/TSX Composite Index has rebounded nicely in recent weeks. Unfortunately for investors, the index is still in negative territory for 2018. Stocks were hit hard in the aftermath of a rate hike for the Bank of Canada, which may explain why the central bank has been particularly dovish, even in the midst of positive economic news.

These trends should also be driving investors to consider strategies going forward. The uncertain fate of NAFTA, a tumultuous election in Canada's most populous province, and continued rate tightening are all cause for investor anxiety. Those who are committed to a more conservative outlook may want to seek out income as we head closer to the midway point of 2018.

Today, we are going to look at two dividend heavyweights that have struggled year over year but are still highly sought after. Should you stash either one in your TFSA today? Let's make a determination.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge is the largest energy infrastructure company in North America. Shares of Enbridge were down 17% in 2018 as of close on May 23, but the stock has managed to rally month over month. This has largely been due to a broader rebound for Canadian energy stocks sparked by higher oil and gas prices. Enbridge released its first-quarter results on May 10.

Enbridge reported that adjusted EBITDA climbed to $3.40 billion compared to $2.18 billion in the prior year, and adjusted earnings more than doubled to $1.37 billion over $675 million in Q1 2017. Distributable cash flow surged to $2.31 billion. Enbridge recently committed to the monetization of $3.2 billion in assets intended to provide financial flexibility going forward. It also expects a decision from the Minnesota Public Utilities Commission (MPUC) on the Line 3 Replacement Project.

The company increased its quarterly dividend by 10% to $0.671 per share, representing a 6.2% dividend yield.

Hydro One Ltd. (TSX:H)

Hydro One is a Toronto-based utility which services the province of Ontario. Shares have plunged 13% in 2018 as of close on May 23. The stock is down double digits year over year. As expected, the privatization and management of Hydro One has become a big talking point over the course of the Ontario election.

It is unusual for corporate leadership to comment on politics, but Hydro One CEO Mayo Schmidt broke that taboo in a recent interview given after his company released its first-quarter results. Schmidt claims that "political interference" has harmed the utility's stock price in spite of its ability to churn out profits and deliver cost savings to consumers.

In the first quarter, Hydro One achieved adjusted earnings per share of $0.35 compared to $0.28 in the prior year. Net income grew to $222 million over $167 million, and the company hiked its quarterly dividend by 5% to $0.23 per share.

Which stock is the better buy today?

To own either of these stocks could prove a frustrating ride for investors, even with the attractive dividends offered. Both could be subject to price fluctuations due to political developments, which most income investors are eager to avoid. Both could also be subject to headwinds due to oil price volatility and rising rates, which have pummeled utilities.

In spite of this, both boast wide moats and carry the promise of dividend growth into the next decade.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)

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