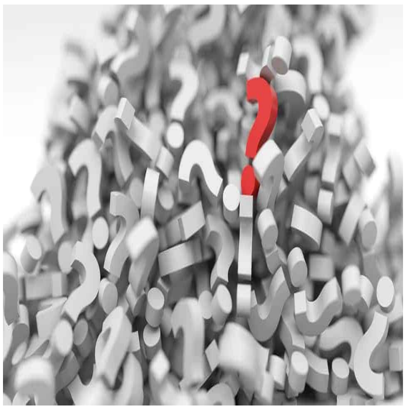

What’s More Defensive: TD Bank (TSX:TD) or Enbridge (TSX:ENB) Stock?

Description

The nation’s best banking stock as of the summer and one of the best and brightest energy stocks on the TSX index: which offers Canadian investors the sturdiest strategy to see them through an uncertain global outlook? With potential roadblocks in oil, a potentially overheated U.S. economy (check out the yield curve inversion), and Brexit, not to mention the Sino-American trade war, it could be a tough few months to say the least.

Let’s see which of these two heavyweights can keep Canadian investors bringing in the dividends if the global economy pitches and tosses.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

If you like your defensive Canadian financial stocks, they don’t get much better than Toronto-Dominion Bank. Priced equal to it future cash flow value, this Bay Street heavyweight is surprisingly good value at the moment. We can back that up with some nearly flawless market fundamentals: a P/E of 13.5 times earnings and PEG of 1.5 times growth; its P/B ratio of twice book value is a little high, but it’s not so bad.

A 9.1% expected annual growth in earnings over the next couple of years is great to see in any stock. While that may not be the kind of crazy-high growth that investors in legal marijuana are looking at, it signals stable growth. A dividend yield of 3.39% is both acceptably sizable as well as reassuringly plausible. In terms of size, this investment favourite has a market cap of $145 billion. Its past performance should reassure all but the most stringent of risk evaluators: a one-year past earnings growth of 10% matches the industry, but is down slightly on its own five-year average past earnings growth of 10.3%.

Enbridge (TSX:ENB)(NYSE:ENB)

Energy infrastructure companies don’t come much more defensive than Enbridge. It’s one of the top 10 or so stocks that you will notice never seem to leave the Canadian investment news headlines. Valued equal to its future cash flow price, but carrying a chunky P/E of 28.8 times earnings, its remaining market fundamentals highlight passable good value: a PEG of 1.8 times growth, and P/B of 1.4 times book.

Investors looking for decent growth should note a 16.4% expected annual growth in earnings over the next one to three years, while passive-income fans can expect a dividend yield of 6.26% at today's price. If size matters to you — and it should if you want to get defensive — then a market cap of $75 billion should satisfy you.

Enbridge's one-year past earnings growth of 36.8% knocked the industry average of 0.5% for the same period out of the park and overtook its own five-year average past earnings growth of 32.9% by a few percentage points. While a debt level of 90.9% of net worth can't touch Toronto-Dominion Bank's nearly flawless balance sheet, the rest of the signs point towards Enbridge as being a solid stock to confidently hold long term.

The bottom line

All round, Toronto-Dominion Bank has to be the more defensive stock, but not by a huge margin; investors could add both for a stronger portfolio. Enbridge falls down comparatively on market cap size and its level of debt, though its data by no means counts it out as a great defensive stock for even risk-averse passive-income investors to buy and hold long term. On the subject of risk, Toronto-Dominion Bank beats both **BMO** and **CIBC** in terms of its allowance for bad loans.

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