

Is This the Best Time to Lock-In BCE Inc. (TSX:BCE) Stock's 6% Dividend Yield?

Description

I'm a big fan of the companies that pay dividends. A growing payout means more money in your pocket, but it also builds a strong bullish case for a company as the practice confirms that the business is sound.

But what about a company which is among the [best dividend payers](#), but its stock continues to underperform? Canada's largest telecom operator, **BCE Inc. (TSX:BCE)(NYSE:BCE)** is one such stock that's been disappointing its loyal investors for the past three quarters.

Since last December, when it reached near a multi-year high, BCE stock has fallen about 17%. So, what's keeping BCE stock under pressure, and is there any sign of a rebound in the near-term?

In my view, there are two main reasons that are pushing BCE stock lower in the short term.

Heating competition

First, it's the competition in the wireless space that's heating up and cutting BCE's revenue per user. That challenge is mainly coming from **Shaw Communications Inc.**, the smallest of the big four companies, which is trying to capture more share in the nation's lucrative wireless market by offering lucrative packages and forcing others to follow.

The other factor that is responsible for BCE stock underperformance is rising bond yields. Dividend stocks tend to be sensitive to interest rate movements, declining in price when interest rates rise.

[Rising interest rates](#) can encourage investors to pursue more cyclical areas of the market that perform well when the economy is growing. Both Bank of Canada and the Federal Reserve are tightening monetary policies, which means telecom utilities are becoming less attractive for income investors when compared to fixed-income securities such as government bonds.

Despite these short-term setbacks, I don't think the company's long-term income appeal has diminished. BCE has made many right bets in the past five years that have positioned the company to produce better returns for shareholders.

Among the few measures that will fuel future growth are its billions of dollars investment on fibre-optic network to support faster internet speeds and make the utility prepared to offer 5Gs, the next generation of wireless network technology.

Bottom line

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash-flow growth necessary to keep boosting the payout. Its latest acquisition of Manitoba Telecom Services Inc. last year will soon begin to improve both top and bottom-line profitability after its integration is complete.

These factors make BCE stock an attractive option for income investors to consider despite its recent pullback, especially when its yield is reaching close to 6%.

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