2 Dividend Stocks That TFSA Investors Will Find Selling at a Bargain

Description

There are many dividend stocks that are being affected by some adverse macro developments. For example, rising interest rates in North America are reducing the appeal of owning power and gas utilities.

For long-term investors, such as those who use their Tax-Free Savings Account (TFSA) to build wealth for their retirement, this period of weakness opens a window to accumulate some quality dividend stocks and lock in some attractive dividend yields.

Here are two such names that TFSA investors can consider buying now as they're selling at bargain prices.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge, North America's largest pipeline operator, has been under pressure for the past one year as rising interest rates, the change in the U.S. tax laws, and the company's elevated debt levels create doubts in investors' minds about the sustainability of the company's generous dividend policy.

Its stock has been down about 17% at the time of writing, underperforming the benchmark S&P/TSX Composite Index. But in my view, that period of weakness is temporary. The company is working on a aggressive plan to cut its debt load by selling assets and re-structuring its business.

Enbridge is in the process of concluding asset sales of worth $7.5 billion to help reduce debt. It has also put together a funding plan that includes raising money through equity issuance to cut its reliance on debt.

These measures, in the long run, are going to help the utility to improve its financial profile and continue with its payout hikes. Trading at $43.20, and with annual dividend yield of 6.7%, Enbridge is a top dividend stock trading at an attractive level. The company plans to hike dividends by 10% each year through 2020.

That’s a good incentive if you’re aiming to buy an income-producing stock and hold it.

Inter Pipeline (TSX:IPL)

The Calgary-based IPL is another dividend stock that looks absurdly cheap after a pullback that started last year. One important reason that’s keeping investors on the sidelines when it comes to Canada’s energy companies is the nation’s pipeline capacity shortage. This bottleneck is making difficult for producers to move their energy products.

But IPL runs a very diversified business that insulates it from many negative developments affecting pure upstream players. IPL operates four business segments in Western Canada and Europe. Its pipeline systems span over 7,800 kilometres in length and transport approximately 1.4 million barrels per day.

In Europe, IPL operates 16 strategically located petroleum and petrochemical storage terminals, which have a combined storage capacity of approximately 27 million barrels. Its NGL business is one of the largest in Canada, processing an average of 2.8 bcf/d in 2017 with the capacity to produce over 240,000 b/d of NGL.

Trading at $21.95, IPL stock is down about 15% in the past 12 months. After that pullback, its dividend yield has reached an attractive 7.75%. To support its growing payout, IPL has an ambitious growth plan , including a $3.5 billion petrochemical project it’s building in an industrial area north of Edmonton.

Bottom line

Both Enbridge and IPL are good long-term picks for a TFSA portfolio focusing on income. These dividend stocks are likely to rebound strongly when the macro environment improves.

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