Dividend Investors: Should Enbridge Inc. (TSX:ENB) or BCE Inc. (TSX:BCE) Stock Be in Your RRSP Right Now?

Description

Two of Canada's top dividend stocks are starting to recover after pullbacks sent them to bargain levels.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) and **BCE** (TSX:BCE)(NYSE:BCE) to see if one deserves to be a top pick for your RRSP portfolio today.

Enbridge

Enbridge traded for more than $65 per share in the spring of 2015, but the company started to fall out of favour with investors, and a prolonged slump brought the shares back below $40 in April of 2018. Since then, the shares have begun to recover, and more upside should be on the way.

What's going on?

The $37 billion acquisition of Spectra Energy last year made Enbridge the largest energy infrastructure company in North America. The deal also provided a nice boost to the development program and added extensive natural gas assets to balance out the heavy focus on oil pipelines.

However, the market didn't like the impact on the balance sheet in an era of rising interest rates. In addition, the company was getting more complicated, especially with all the subsidiaries Enbridge used as drop-down vehicles for raising funds.

Late last year, management announced an aggressive restructuring plan to help turn things around, and the progress to date has been positive. Enbridge has negotiated deals to fold its subsidiaries into the main company, which streamlines the corporate structure and should make it easier for investors to analyze the business.

In addition, Enbridge has found buyers for $7.5 billion in non-core assets as part of the new strategy to focus on regulated businesses. The funds are allocated to reduce debt and support the current $22 billion capital program.

As the new assets are completed and go into service, Enbridge anticipates revenue will grow enough to support annual dividend increases of at least 10% through 2020.

At the time of writing, the stock trades for $43.40 per share and provides a yield of 6.2%.

BCE

Rising interest rates over the past year have had an impact on slow-growth dividend stocks like BCE. The theory is that higher yields from GICs and fixed income alternatives will attract funds away from traditional go-to dividend stocks. The concern is valid to a point, but the drop in BCE’s stock from $62 last December to below $51 at the end of October might have been overdone.

Bargain hunters apparently think so and have returned in recent weeks, sending BCE back above $56.50 per share.

The company reported solid Q3 2018 financial results and confirmed its 2018 guidance. Dividend growth should continue in line with expected increases in free cash flow of 3-7%. Investors who buy right now can pick up a yield of 5.3%.

Is one more attractive?

Enbridge and BCE should be solid picks for a dividend-focused RRSP. If you only buy one, Enbridge might be the better choice right now. The stock likely offers stronger dividend growth over the medium term, and Enbridge still appears oversold.

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