One Top Dividend Stock to Buy With Yield Over 6%

Description

With the possibility of an economic slowdown rising and central bankers becoming more cautious about the future rate hike, it's a good time to target some high-quality dividend stocks that remain depressed in 2018.

If the Bank of Canada and the Federal Reserve stop their rate hikes in 2019, income-producing stocks will be a winning bet in 2019. In Canada, there are plenty of stocks that look quite attractive to buy and hold over the long run. In this space, I particularly like the pipeline operator, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB).

In 2018, the stock has struggled to break out of its sluggish cycle as one of the largest energy infrastructure providers underwent a major restructuring aimed at cutting its massive debt load and becoming a more learner and efficient operator.

In general, investors also shunned pipeline operators due to their sensitivity to interest rates. As a result, their share prices dropped as rates move higher in both Canada and the U.S. Enbridge stock this year has fallen from $51.04 in January to $42.09 now – down almost 14%.

Positive signs

However, there have recently been some very positive signs that indicate that Enbridge is well on track to achieve its strategic goals after it quickly offloaded some of its non-core assets and raised funds. The biggest one was a $4.3-billion deal to sell its Canadian natural gas gathering pipelines and processing facilities to Toronto-based **Brookfield Infrastructure Partners LP** and its institutional partners for $4.3 billion.

The sale included 3,550 kilometres of gathering pipelines and 19 natural gas processing plants, which had once been considered core, but divested to help the company reduce its over $60-billion debt.

On the earnings side, the company didn't lose momentum despite investors' concern that pipeline stocks aren't making as much money as they used to.

For the third quarter, Enbridge reported adjusted earnings (which stripped out unusual and one-time items) of $933-million, or $0.55 a share. That compared with $632-million, or $0.39 a share a year ago.

For the first nine months, adjusted earnings were $3.4-billion, or $2.01 a share compared with just less than $2-billion, or $1.33 a share last year.

Bottom line

Trading at $42.09 a share with an annual dividend yield of 6.33%, Enbridge is a dividend stock well-positioned to produce steadily growing income for the buy-and-hold investors.

The company forecasts a 10% annual growth in its dividend going forward, and there are good reasons to believe that Enbridge has the capacity to do that. The company's biggest current undertaking, the $9-billion Line 3 Replacement Project, has now cleared all legal hurdles, and the company expects it to come into service in the second half of 2019.

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