Is Royal Bank of Canada (TSX:RY) or Enbridge Inc. (TSX:ENB) Stock a Better Buy Today?

Description

The correction in the TSX Index in recent months has investors wondering which Canadian stocks might be the best buys heading into 2019.

Let's take a look at **Royal Bank** (TSX:RY)(NYSE:RY) and **Enbridge** (TSX:ENB)(NYSE:ENB) to see if one might be an interesting pick right now.

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Royal Bank

Royal Bank is not only a giant in the Canadian financial market; it is also a significant force on the global stage. Despite its strong position, the bank knows it has to innovate to ensure it remains competitive in a rapidly changing world where IT and social media companies are threatening to steal critical market share in certain areas of the banking sector.

Royal Bank is investing heavily in its digital initiatives and seeing more customers interact with the bank through digital platforms. As millennials become a greater financial force, the trend is expected to continue.

Royal Bank generated more than $12 billion in profits for fiscal 2018, and management expects to see annual earnings growth continue at 7-10% for the medium term. The company has a solid track record of dividend growth with the current payout providing a yield of 4.2%.

The stock is down from $108 a few months ago to $93 per share. At this level, Royal Bank trades at a reasonable 11 times trailing earnings, which should be an attractive entry point given the solid outlook for profit growth.

Enbridge

Enbridge had a busy 2018, and investors should see the benefits start to roll through in 2019 and beyond.

The company found buyers for nearly $8 billion in non-core assets, far surpassing the initial 2018 target to monetize $3 billion in holdings that are not part of the new strategy to focus on regulated businesses. When Enbridge announced its restructuring plan in late 2017, the company said it would try to sell $10 billion in assets in the next two to three years.

Enbridge also cleaned up the corporate structure, bringing four subsidiaries in-house. This should simplify the organization and help investors get a better picture of the company's overall financial situation and cash flow outlook.

On the growth side, Enbridge is working through $22 billion in secured capital projects. As the new assets are completed and go into service cash flow will improve. Enbridge just raised the dividend by 10% for 2019 and says it will hike the payout by 10% for 2020.

The stock is down to $42 per share from $50 at the start of 2018. Investors who pick up the stock at this point can secure a 7% dividend yield.

Is one a better bet?

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Royal Bank and Enbridge both appear oversold and should be solid buy-and-hold picks heading into 2019. Enbridge provides a better yield and could see a strong rebound on a shift in sentiment. If you can handle some added volatility, the pipeline giant might be an interesting contrarian pick right now.

Otherwise, Royal Bank is probably the safer bet and currently trades at an attractive multiple.

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