This Is My Top Dividend Stock to Buy in 2019

Description

Energy infrastructure companies are among the top dividend stocks to buy when uncertainty hits the markets. Unfortunately, 2019 is likely to be one of those years when investing in growth stocks will be a risky bet as there are so many unknowns that could influence their values.

The biggest risk to the markets is the U.S.-China trade war. If this dispute doesn't resolve quickly, it can hurt the global growth and further erode investor confidence.

Another uncertainty keeping growth stocks depressed is the longevity of the decade-old U.S. economic expansion. Many analysts are now predicting recession in the U.S. in 2020, which means that means 2019 is the year to get your portfolio prepared for that possible outcome.

In this environment, I believe the best investing approach is to get defensive and buy stocks with the best chance of performing better in the times of distress. Here is my top Canadian utility stock that I believe is well positioned to outperform when growth stocks take the hit.

Enbridge Inc.

North America's largest pipeline operator, **Enbridge** (TSX:ENB)(NYSE:ENB), is a great defensive stock to own if you're looking for shelter in this uncertain environment. During the when volatility spiked during the past month, Enbridge stock has gained more than 8%, thereby outperforming the benchmark indexes in North America.

The reason of this strength is that the company's diversified business model is immune to many cyclical factors that could depress other companies.

The company's huge pipeline infrastructure is crucial to the region's economy, while its gas and electricity operations offer stable cash flows.

No doubt, Enbridge underwent a difficult two-year period when investors shunned this utility after its acquisition of Spectra Energy in 2017.

The deal increased the company's debt and raised doubts about the sustainability of its very generous dividend payout policy.

But the company's restructuring in the past year has shown that Enbridge is back in the game and it's quickly putting its house in order.

The latest deal activity shows that Enbridge has been moving quickly to sell assets and achieve its stated goal of becoming a pure regulated pipeline/utility. The operator is in the process of concluding asset sales of worth $7.5 billion to help reduce debt.

The other positive development which will fuel more gains in the company's share value is an indication from the Bank of Canada and the Federal Reserve that they might pause in their monetary tightening drive. Utility stocks such as Enbridge tend to underperform when rates go up.

Bottom line

Trading at $47.52 and with the forward annual dividend yield of over 7%, I see Enbridge stock is still trading at an attractive level despite the recent rally. For long-term income investors Enbridge is a top dividend stock to buy as its offers a compelling risk/reward equation.

The company has a huge growth portfolio, strengthened by the Spectra acquisition and its massive Line 3 Replacement project. Even after the recent gains, the stock is still trading below analysts' average price estimate of $53 for the next 12 months. With a 10% projected hike in dividend each year, investors can easily beat inflation by holding Enbridge stock and still make handsome returns.

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Author
hanwar