2 Top TSX Index Dividend Stocks at 12-Month Highs

Description

Buying stocks when they hit new medium-term highs after a pullback is a popular strategy among buy-and-hold investors who are interested in owning high-quality companies with strong dividends.

Let's take a look at two TSX Index industry leaders that might be interesting picks right now for your portfolio.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge just broke through the $49 mark, extending a multi-week rally that caught many investors by surprise. The company had taken a hit since 2015 amid investor concern about its long-term growth potential and the size of the debt, sending the stock down from $65 per share to last year's low around $38.

What sparked the recovery?

In late 2017, Enbridge launched a major turnaround program. Some pundits felt it might be a bit ambitious, given the company's 2018 plan to monetize as much as $3 billion of an identified $10 billion in non-core assets. In the end, Enbridge found buyers for close to $8 billion of the assets.

In addition, management wanted to simplify the corporate structure and, through a series of deals, succeeded in acquiring the outstanding shares of four subsidiaries. Bringing them under one roof should result in better retained cash flow and makes it easier for investors to evaluate the business.

The company is working through a $22 billion capital program and additional growth opportunities exist throughout the broad assets base. Once the restructuring is complete, investors could see Enbridge make additional acquisitions as consolidation continues in the energy infrastructure industry.

The stock is up 25% since December 24, and more gains should be on the way. Investors who buy today can still pick up a 6% dividend yield and look forward to a 10% distribution increase next year.

BCE (TSX:BCE)(NYSE:BCE)

BCE sold off through the first three quarters of 2018 amid fears that rising interest rates would lure yield investors away from slow-growth dividend stocks. Higher rates also boost borrowing costs, which can put a dent in cash flow available for payouts to shareholders.

The sharp mood change, however, at both the Bank of Canada and the U.S. Federal Reserve in the past couple of months has resulted in a flood of new money coming back into BCE and some dividend peers. Previous expectations for three rate hikes in 2018 are now out the window. Some pundits are even suggesting the next move could be a rate reduction.

Bargain hunters are buying BCE stock, and more upside could be on the way. BCE continues to protect its wide moat through investments in fibre-to-the-premises lines and mobile infrastructure upgrades. The company generates strong cash flow to support the generous dividend and is able to increase prices when it needs extra money.

At the time of writing, the stock is at $57.50 per share, up from the October low near $51 but still off the 2017 high around $62. The current dividend provides a yield of 5.2%.

The bottom line

Enbridge and BCE are strong companies that pay attractive and growing dividends. Both stocks are enjoying new upward momentum, and that trend could continue through 2019.

Other interesting developments are also worth watching in the Canadian market this year.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/08/20
Date Created
2019/02/06
Author
aswalker