

This Top Dividend Stock Is Still Worth Buying Even After 16% Jump

Description

Last year wasn't very productive for dividend stocks. Quickly rising interest rates and the much better return on other segments of the market, such as high-growth stocks, made investing in dividend stocks less attractive.

But the start of the new year is bringing us a different story. Macroeconomic uncertainties, trade wars, and the fear of a sharp market correction have forced the U.S. Federal Reserve to move on the sidelines, and the message from the Bank of Canada isn't much different.

These factors combined have brightened the outlook for some beaten-down dividend stocks. One such player is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), North America's largest pipeline operator.

Its shares have surged 17% so far this year after plunging more than 14% in 2018. This sharp reversal no doubt reflects the improving environment for the defensive stocks, such as Enbridge, but I also see some company-specific developments at play here.

[Enbridge](#) is the company that's been widely criticized for its huge debt obligations, which jumped after its acquisition of Spectra Energy in 2017. The pipeline operator last year spent to allay these concerns and underwent a massive restructuring, selling some assets and re-align its focus to its core strengths.

Enbridge stock is out of bearish spell

The company's recent communication with investors suggests that Enbridge is out of that phase and is well on track to grow its portfolio. During its investor day in December, Enbridge announced \$1.8 billion in new investments, including the \$265-million purchase of pipeline and terminal assets in northern Alberta from oil-sands producer **Athabasca Oil Corp.**

Enbridge will also spend US\$600 million to buy a 22.75% interest in the **Gray Oak Liquids Pipeline**, which is under construction and expected to deliver light crude oil to Corpus Christi, Texas, starting in late 2019.

That project is expected to help supply an offshore shipping port in the Gulf of Mexico proposed by Enbridge with partners **Kinder Morgan Inc.** and Germany-based **Oiltanking GmbH** that could be operational by 2021, the company said.

Enbridge also committed about \$800 million in spending on four natural gas transmission expansion projects in the U.S. that are to come into service in the 2020-23 time frame.

The company picked that day to announce that it will raise [its dividend](#) by 10% this year and forecasts another 10% hike for 2020.

Bottom line

Trading at \$49.31 at writing, Enbridge stock is close to the analysts' consensus 12-month price target of \$52.88. I don't expect too much gains for here, but the company is back on its growth path and it's a good candidate to earn a juicy dividend yield, which is still close to 6%, offering much higher returns

than GICs and government bonds.

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