
Should You Buy or Sell BCE Inc. (TSX:BCE) Stock Today?

### Description

Dividend stocks have roared back to life in the past few months and investors who missed the rally in many of the top names on the TSX Index are wondering if the rally is overstretched or if more upside is on the way.

Let's take a look at the reasons why **BCE** (TSX:BCE)(NYSE:BCE) and some other traditional go-to dividend names have soared and see if the communications giant deserves to be in your portfolio right now.



## Back in favour

It's amazing how quickly sentiment can shift in the equity markets. A year ago, most analysts wouldn't touch BCE and a number of other high-yield giants with a ten-foot pole. The reasoning was that rising interest rates were making no-risk alternatives, such as GICs, more attractive, which threatened to trigger a flood of funds out of the utilities and telecom stocks that had attracted yield seekers in recent years.

It's true that some money will shift as rates increase, especially if the funds are being used to generate income inside tax-neutral vehicles such as a TFSA or RRSP account. Five-year GIC rates drifted into the 3.5% range near the end of 2018, making the zero-risk return an attractive alternative to a basket of reliable dividend stocks.

Higher rates also make debt more expensive, which can potentially cut into cash flow available for distributions and limit the size of dividend increases.

Analysts expected the rate-hike trend to continue through 2019, which is part of the reason why investors dumped their dividend players through most of 2018. As we now know, the market might have gotten a bit ahead of itself, and investors who scooped up BCE and a number of other high-quality dividend growth companies at their lows are now reaping attractive yields on the initial investments and sitting on a decent chunk of capital gains to boot.

BCE hit a four-year low near $51 in October. Today the stock is back to $59 and still provides a dividend yield of 5.4%. The five-year GIC is now down to 2.8%.

## Outlook

Weak economic data and increasing concerns that a slowdown in the economy could extend through the end of the year have forced the Bank of Canada to rethink its rate-hike ambitions in recent months. Not that long ago, analysts had three more rate increases priced in for 2019. Now most pundits say there is a 0% chance of an upward move in the next six months and some analysts are even calling for a rate cut as the next move by the BoC.

As such, the medium-term outlook for solid high-yield stocks such as BCE should be favourable.

## Should you buy?

BCE's dividend is about as close as you can get to a guaranteed payout, and while there might not be major upside left in the stock in the near term, you still get paid very well at the current price. The company expects to generate decent free cash flow growth this year and the dividend should continue to rise at a steady annual clip.



If an economic downturn is truly on the horizon and the Bank of Canada decides to retreat and cut interest rates again, BCE could pick up a new tailwind and investors might see the stock break through $60 and take a run at a new high.

Income investors should be comfortable holding the stock today.

**CATEGORY**

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

**TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

**PARTNER-FEEDS**

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

**Category**

1. Dividend Stocks

2. Investing
3. Stocks for Beginners

**Date**
2025/07/23
**Date Created**
2019/03/18
**Author**
aswalker