Is Enbridge Inc. (TSX:ENB) or Toronto-Dominion Bank (TSX:TD) a Better Buy Today?

Description

Canadian investors are searching for top-quality **TSX Index** stocks to add to their self-directed TFSA or RRSP portfolios.

One popular strategy involves buying market leaders with growing dividends and using the distributions to acquire additional shares. Over time, the power of compounding can turn relatively small initial investments into a large fund for retirement.

Let's take a look at **Enbridge** (TSX:ENB) (TSX:ENB) and **Toronto Dominion Bank** (TSX:TD) (NYSE:TD) to see if one deserves to be on your buy list.

Enbridge

Enbridge bought Spectra Energy for $37 billion in 2017 to create North America's largest energy infrastructure company with an enterprise value at the end of 2018 of about $150 billion. The company moves more than two-thirds of Canada's crude oil exports to the U.S. and transports about 20% of the natural gas that is consumed in the United States.

In addition, Enbridge has renewable energy interests and is a major distributor of natural gas to businesses and households in both the U.S. and Canada.

The company made good progress last year on restructuring efforts. Management acquired the outstanding shares for four subsidiaries and found buyers for about $8 billion in non-core assets. Proceeds from the divestitures are being used to shore up the balance sheet and fund ongoing capital projects.

Enbridge raised the dividend by 10% in 2019 and intends to boost the payout by a similar amount next year. Beyond that time frame, Enbridge expects to have an annual capital program of $5-6 billion. This should drive increases in distributable cash flow of 5-7% per year and support ongoing dividend hikesin that same range.

The current payout provides a yield of 5.9%.

Investors who bought the stock below $40 last year are already sitting on gains of better than 25% and more upside should be on the way. Enbridge just hit a new 12-month high at $50 per share, but still trades well below the $65 peek it reached in 2015.

TD

TD rakes in about $1 billion in adjusted earnings per month. That might irk customers who feel their fees are too high for various banking services, but it’s good news for the bank’s investors.

TD is generally viewed as being the safest choice among the big Canadian banks due to its focus on retail banking operations. The company has a large presence in both Canada and the United States, giving investors good exposure to the American economy while providing a nice hedge against an economic downturn in the home market.

TD recently raised the dividend by 10% for 2019 and has bumped up the payout by a compound annual rate of better than 11% over the past 20 years. Investors who buy today can pick up a yield of 4%.

The stock has rallied 14% off the December low to the current price around $74.50 per share. That translates into 12.4 times trailing earnings, which isn’t cheap, but you are still getting a top-quality company at a reasonable price.

Is one more attractive?

Enbridge and TD are leaders in their respective markets, and should both be solid buy-and-hold picks for a self-directed portfolio. At this point, I would probably split a new investment between the two stocks.

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