The 2 Best Energy Stocks to Buy Now

Description

When interest rates fall and bond yields decline, it's one of the best times to buy energy stocks that provide crucial infrastructure, such as pipelines and the storage facilities.

The sector is the most highly correlated to bond yields, and companies with limited commodity exposure tend to perform best in the current environment, according to Ben Pham, an analyst at **Bank of Montreal**.

"If interest rates remain low or move lower, we believe there is potential for further valuation expansion," Pham said in a note to clients. In Canada, the 10-year government bond yield has fallen to 1.59% from the 52-week high of 2.61%.

That means the dividend yield on the pipeline stocks has become more attractive for investors when compared to risk-free assets, such as government bonds. If you're interested in exploring this area of the market, here are my two favourite picks.

Enbridge

North America's largest pipeline operator, **Enbridge** (TSX:ENB)(NYSE:ENB) is one of the best options if you're interested in buying a pipeline stock and earning steady income.

Enbridge stock, whose dividend yield has reached more than 6% after the recent pullback, is in a good position to take advantage of North America's strong energy economy, especially when Canada is facing capacity shortages.

In its latest earnings report, Enbridge topped expectations, as it reported a first-quarter profit of $1.89 billion. On an adjusted basis, Enbridge says it earned $1.64 billion, or $0.81 per share, in its most recent quarter, up from $1.38 billion, or $0.82 share, a year ago when it had fewer shares outstanding.

The latest reports from the economic front suggest that it will be tough for central banks in North America to hike rates, as economies show signs of weakness. Enbridge is a good defensive stock to hold on to when the economic headwinds are gathering pace. The company pays a $0.73-a-share quarterly dividend. The payout has been expected to rise 10% per year.

TC Pipelines

Among the top energy infrastructure providers, **TC Pipelines** (TSX:TRP)(NYSE:TRP), formerly TransCanada, is my other favourite stock to consider for a long-term holding.

The biggest attraction of owning this stock is the company's long history of paying dividends and its diversified energy assets. TC has raised its dividend for 19 consecutive years and currently pays $0.75 a share quarterly payout.

The company plans to raise its dividend at an annual rate of 8-10% through 2021, helped by its relatively low-risk business, with about 95% of earnings before interest, taxes, depreciation and amortization coming from assets that are either regulated or contracted on a long-term basis.

TC is pursuing about $36 billion in small- and medium-sized commercially secured projects that it expects to advance through 2023. Trading at $65.89 at the time of writing, TC stock now yields 4.6% after a 35% surge this year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:ENB (Enbridge Inc.)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/07/22
Date Created
2019/07/16
Author
hanwar