



Should You Buy Enbridge (TSX:ENB) or Fortis (TSX:FTS) Stock to Ride Out a Recession?

Description

Stock markets continue to hold up well, despite a wide range of geopolitical and trade threats that could tip the global economy into a recession.

Brexit uncertainty, the ongoing trade war between China and the United States, a potential escalation of military conflict in the Middle East, Hong Kong's protests, and North Korea's insistence on developing longer-range missiles all have the potential to launch financial markets into a downturn.

As a result, investors are starting to look at stocks that might be good defensive buys to give their portfolios a hedge against a potential market crash.

Let's take a look at **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) to see if one deserves to be on your [buy list](#).

Enbridge

Enbridge is a giant in the North American energy infrastructure sector with thousands of kilometres of pipelines running across Canada and throughout the United States.

Oil, natural gas, and natural gas liquids remain key sources of energy for heating homes, cooking food, producing electricity, and powering cars, trucks, trains, and planes. The world is shifting to green energy alternatives in many areas, and while that trend is expected to continue, demand for the fossil fuels will continue to grow for quite some time.

Enbridge currently has a \$19 billion capital program in place that it can fund through internal cash sources. As the new assets are completed and go into service, the company has indicated it should see distributable cash flow increase by at least 5% per year for the medium term.

Massive new pipeline developments are difficult to build these days due to political and public opposition. However, Enbridge continues to find smaller tuck-in opportunities throughout its asset

base. In addition, the company's size and financial clout give it the capacity to make strategic acquisitions to drive growth.

The stock appears cheap today, and investors can pick up a 6.4% dividend yield.

Fortis

Fortis is a leading utility firm with \$50 billion in assets that include power generation, electric transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean.

The company drives growth through acquisitions and internal development projects. For example, Fortis spent nearly US\$15 billion in the past four years to acquire Arizona-based UNS Energy and Michigan-based ITC Holdings. The integration of both companies went well and Fortis has identified development opportunities within the businesses to grow revenue.

Fortis is currently focusing its efforts on a five-year capital program that will see management invest \$18.3 billion across a number of projects that should increase the rate base enough to support annual [dividend](#) hikes of 6% per year through 2020.

That's good guidance in a shaky market, and investors should feel confident Fortis will deliver on the goal. The company has raised the payout in each of the past 46 years. The dividend provides a yield of 3.4%.

The stock has enjoyed a nice rally in 2019 and trades near its all-time high. As long as interest rates remain under pressure, the stock should hold or extend the gains.

Is one a better choice to ride out a market crash?

Fortis is arguably the safer bet, while Enbridge appears oversold right now and offers a better yield with dividend growth that should be on par with Fortis.

Either stock should be a solid pick for a buy-and-hold defensive position in a portfolio. If you only choose one, I would probably make Enbridge the first choice today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/09/26

Date Created

2019/10/08

Author

aswalker

default watermark

default watermark