1 High-Yield Dividend Stock to Buy Heading Into a Recession

Description

At the time of writing, the stock markets continue to hold up well, despite a landscape filled with challenging situations. Trade wars, geopolitical issues, and slowing manufacturing activity are all creating a lot of worry in the global financial markets.

Issues with Brexit and how it will turn out, the seemingly endless trade war that the United States has with China, and a potential upswing of military conflicts in the Middle East are just some of the reasons that can adversely affect stock markets around the world. While Canada is not directly involved in these issues, the fallout can impact the TSX.

While it is not clear exactly when the recession will hit, investors have realized that a market downturn is definitely on the cards. If you are also worried about the inevitability of a recession, you should even start making appropriate preparations for the market downturn. Investors should look at stocks that might be good defensive buys for their portfolios.

To this end, I am going to discuss **Enbridge** (TSX:ENB)(NYSE:ENB). We will also look at whether Enbridge deserves to become a part of your portfolio to hedge against a potential crash in the stock market.

Leading the energy sector

Enbridge leads the pack for companies in the North American energy sector. There is not a very prominent company operating pipelines on the continent, with a market cap of almost a $100 billion. Enbridge is not just the largest in terms of market capitalization. The company facilitates the transportation of a fifth of all the natural gas and crude oil in North America.

Ahead of what could be highly challenging times ahead, there are several reasons why Enbridge presents itself to investors as a strong candidate to buy and hold for the long haul. The first and the most significant advantage for the energy giant is the major presence the company has in North America's energy sector.

Insulation from commodity prices

Enbridge's customers can rely on the company as their one-stop solution for crude oil transportation. Enbridge also does not need to rely too much on the price of the commodities that the company transports. 98% of the company's cash flow comes from the fixed fee of transportation, regulated contracts, and take-and-pay contracts.

Only 2% of the company's cash flow depends on commodity prices, and this is the reason why weak crude oil prices are not creating a major issue for Enbridge right now. The company is effectively insulated from crude oil price volatility. 2014 saw a massive plunge in crude oil prices. Companies throughout the industry suffered, but Enbridge held steady.

Healthy dividend yield

The best quality of a defensive stock to buy and hold during a recession is dividend payouts. Shares that can retain relative stability throughout recession do not just mean that shareholder investments are safe. The dividend payouts from the company to investors also results in a decent accumulation of cash in the investor's TFSA account.

At the time of writing, Enbridge has a healthy 6.6% dividend yield. Trading at $47.40 a share, Enbridge stocks are in a good position for investors to buy and hold right now.

Foolish takeaway

I am not sure when the recession will hit, but when it does, those who prepare themselves will fare better than those who panicked once the dust settles. Investing in relatively safe and reliable stocks that can weather the storm is the wisest option. Considering the company's outlook, I believe Enbridge is worth considering for your portfolio ahead of a recession.

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