Why You Should Buy This Dividend Stock Yielding 6% Now?

Description

There are many reasons that attract you to buy a stock which pays regular dividends. One could buy these income-producing stocks to earn passive income or create wealth for retirement. But one other reason that many investors ignore is that dividend stocks also offer a good protection during a recession or a deep economic slowdown.

In an economic slowdown, many high-powered growth stocks lose their charm, as their sales slump and investors stay away from buying risky assets. This is the time when quality dividend stocks continue to provide payouts, which help investors ride through the meltdown in the market.

As we enter the final quarter of 2019, there are many signs that show the economy in Canada and other parts of the world are facing many uncertainties. The U.S. and China — the world's two largest economies — are still embroiled in a trade war, which, if not resolved, could push our economies into a recession.

For Canada, that outcome could be devastating, as its main exports, including energy and minerals, could suffer. With the pipeline capacity issues remaining unresolved and oil prices remaining weak, we could hit the rough waters sooner than our neighbor.

Given these economic uncertainties in mind, it's important for long-term investors to buy dividend stocks, which have the power to withstand the turbulent times better than other companies.

If you're planning to buy dividend stocks right now, then North America's largest pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) is one of your best bets. After a recent pullback, its dividend yield has reached 6.26%.

But this is temporary weakness. The company is in a good position to take advantage of North America's strong energy economy. The company operates across North America, fueling the economy and fulfilling consumers' energy needs. Enbridge moves nearly two-thirds of Canada's crude oil exports to the U.S., transports about 20% of the natural gas consumed in the U.S., and operates North America's third-largest natural gas utility by consumer count.

Another reason to keep a top dividend stock like Enbridge in your portfolio is that when interest rates fall, these stocks become more attractive. Given the increasing risks to global growth following the U.S.-

China trade dispute, the Bank of Canada may soon follow the U.S. Federal Reserve’s footsteps and decide to cut rates.

Bottom line

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 with an annual dividend yield of more than 6%. The payout has been expected to rise 10% per year.

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