TFSA Dividend Investors: Should You Buy Enbridge (TSX:ENB) or Royal Bank (TSX:RY) Stock?

Description

Canadians are using their TFSA to hold top-quality dividend stocks as part of their overall investment programs.

Income investors and retirees are searching for reliable and growing dividends to supplement company pension, CPP, and OAS payments. Younger investors are using the TFSA to buy dividend stocks and use the distributions to acquire new shares.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) to see if one deserves to be on your TFSA buy list right now.

Enbridge

Enbridge just reported Q3 2019 results that beat analyst expectations. The company generated adjusted earnings of $1.12 billion, or $0.56 per share, compared to expectations of $1.09 billion, or $0.53 on a per-share basis.

The guidance provided by Enbridge is arguably more important. The company said it expects to hit its targets for 2019, even amid ongoing delays in the construction of its Line 3 replacement project.

The $9 billion development accounts for nearly half of Enbridge's current capital program and has run into ongoing regulatory speed bumps.

Investors cheered the news, sending the stock up 3% to $50 per share. The rally is likely due to a combination of short-sellers exiting positions, and new investors moving in to secure an attractive dividend yield ahead of more potential upside in the stock.

Enbridge raised the dividend by 10% in 2019 and ongoing annual increases in the 5-7% range should be on the way over the medium term in line with targeted growth in distributable cash flow, assuming Line 3 is completed as anticipated.

The existing payout provides a yield of 5.9%.

The stock is up about 10% in the past two months but still sits well below the $65 it reached in 2015.

Ongoing challenges remain in the energy infrastructure sector with regards to getting major new pipelines built, but Enbridge should continue to find smaller projects across the vast asset base and has the financial clout to make strategic acquisitions in the sector.

Royal Bank

Royal Bank has a great track record of dividend growth, and that trend should continue, as the banking giant expands its reach in both Canada and abroad.

Royal Bank generates revenue across a wide variety of business segments, including personal and commercial banking, capital markets, wealth management, insurance, and investor and treasury services.

A US$5 billion acquisition in the United States in late 2015 created a strong platform for Royal Bank in the American private and commercial banking sector. The addition of City National has contributed to overall wealth management revenue growth and could be a springboard for other deals.

Royal Bank raised the dividend twice in 2019. The payout provides a yield of 3.9%.

The stock is up nearly 20% since it hit a 12-month low near $90 last December. At the current price, Royal Bank trades at 13 times trailing earnings, which appears fully valued.

Is one more attractive?

Enbridge and Royal Bank are both industry leaders that should continue to be solid picks for buy-and-hold investors.

If you only buy one, I would probably make Enbridge the first choice today. The energy infrastructure giant offers a better dividend and still appears cheap, even after the recent rally.

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