A Ridiculously Cheap Canadian Dividend Stock to Buy Now

Description

As 2019 winds down quickly, it's a good time to start planning for your next year's investment goals. If you plan to add some risk to your portfolio and earn higher-than-average returns, then Canada's energy sector is a good to look for deals.

Many Canadian dividend stocks from the energy sector are selling ridiculously cheap and offering a great entry point to long-term investors. That move to higher-yielding stocks also make sense when the so-called risk-free assets are paying close to zilch.

These days, for example, five-year guaranteed investment certificates pay 2.5-2.85% at best, while high interest savings account rates top out around 2.3% in most cases. But the biggest challenge for high-return-seeking investors is how to identify companies that aren't going bust. How do you avoid catching a falling knife?

In Canadian energy, you can identify companies whose stock prices have weakened due to temporary setbacks. That's usually the time when smart investors take advantage of the attractive valuations and lock in their juicy dividend yields.

Here is a dividend stock that I think could prove a good long-term buy now.

Enbridge

North America's largest pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) is a good example of a stock that is selling cheap. With a juicy 6.6% dividend yield, this stock is forecast to raise its payout 10% each year until 2022.

Enbridge stock, at $50.67, is trading close to the 52-week high after a powerful rally this year. But even with these gains, it's still trading about 23% lower than its five-year high. This Canadian dividend stock has remained under pressure by a negative environment for Canadian energy stocks, as the lingering pipeline capacity shortages cloud their prospects for future growth.

But this weakness offers a great opportunity for long-term investors to buy top-quality stocks that regularly grow their dividends and are positioned to come back quickly once the capacity hurdles are out of the way.

Enbridge is certainly one such dividend stock that has long-term appeal. The company, last week, reported record third-quarter adjusted earnings and distributable cash flow, fueled by increasing oil shipments and input from new capital projects placed in service.

In the period that ended on Sept. 30, Enbridge earned $949 million, up from a loss of $90 million in the same quarter last year, caused by a number of one-time charges. The Calgary-based company says adjusted earnings worked out to $1.12 billion, or $0.56 a share, up from $933 million, or $0.55 a share, last year.

Analysts had expected adjusted earnings of $1.09 billion, or $0.53 a share, according to financial markets data firm Refinitiv.

Buying a top Canadian dividend stock such as Enbridge isn't a bad idea, especially when the economy isn't doing well and the central banks are cutting interest rates. Enbridge is a reliable defensive stock to hold on to when the economic headwinds are gathering pace.

Bottom line

Enbridge is among the best dividend stocks that I believe offer long-term value. Buying this stock now and holding it over the next five to 10 years is a bet that will pay off.

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