



1 Great Stock That I Would Not Buy Today

Description

When I'm choosing companies for my core portfolio I like to find companies that can stand up to adversity, can grow over time, and distribute their earnings through growing dividends and distributions.

In this way, although this core portion of my portfolio is somewhat slower-growing than buying high growth stocks, I'm much more prepared to weather economic storms more readily than if I had all my money in high-risk, high-reward (or loss) companies.

The good news is that there are many companies that fit the bill as steady, income-producing stocks with long-term growth. The bad news is that most of these companies are not yet at a point where their valuations make sense.

Basically every utility stock is a case and points at this moment. For one thing, they're expensive, with practically every [pure-play utility](#) having gone practically parabolic over the course of the past year.

While they are certainly great companies that will be around for a long time, now is pretty much one of the worst times in history to add to a utility position.

A case study in a great utility stock

Stocks like **Brookfield Renewable Resources LP** ([TSX:BEP.UN](#))([NYSE:BEP](#)) make great long-term holds and likely should be a part of your portfolio. If you already own it, you should pat yourself on the back for a great year in 2019 and continue to hold this dividend grower.

However, I would not suggest that today is the best time to buy it. The problem is with the fact that the stars aligned this year for practically every dedicated utility stock in the world to go parabolic.

Interest rates are falling instead of rising because of the political insanity. Investors are still nervous about the fallout from global trade tensions and geopolitical risks. Investors are craving safety, and these stocks are about as safe as they come.

BEP is an ultimate play on safety. It has fantastic, global assets, a top-notch management team, and a pretty good dividend of around 4%. It also has solid projected dividend growth in the range of 5-8% annually.

Investors are flocking to this stock in droves for these fantastic reasons, which is exactly why you should put your money someplace else for a while.

Increased risk

You see, BEP's business safety has actually caused the stock to be in a position of downside risk. The tailwinds for the stock are already built into the price, which is why the stock has gone practically parabolic since December of 2018. It's almost doubled in price, which is pretty incredible for a utility company.

But if anything changes, if trade becomes more positive or especially if interest rates move up again, this stock will probably drop off pretty substantially. It's priced for perfection, and so a move away from dividend payers could hurt it badly.

The bottom line

Utility stocks like Brookfield Renewable are great to own in the core of your portfolio. In all honesty, you could buy Brookfield Renewable now and hold it for the next 20 years and probably do fine with it, but it wouldn't be at the best price.

I own this stock myself, although I bought it at a much lower price point and have peeled off some shares to lock in some of these unexpected, recent gains.

But if you really want to try for some bigger returns, try to buy stocks that are cheaper right now and wait to buy a stock like [Brookfield Renewable](#) when everyone is tossing it away.

The end of 2018 was a great time to buy utilities. Right now I would put my limited funds into something with more upside potential, like Canadian oil stocks or another dividend company such as BEP's sister company **Brookfield Property Partners LP** (TSX:BPY)(NASDAQ:BPY).

This is not about market timing; it's about shopping for sales. Unless you already own them, I would hold off on buying utility stocks for now.

Buy something cheaper, collect some more dividends, and wait for a better opportunity to add utility stocks down the road when they are hated once again.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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