RRSP Investors: Is Enbridge (TSX:ENB) Stock Too Cheap to Ignore?

Description

The market crash of 2020 might be the the buying opportunity of a lifetime for RRSP investors.

Cheap stocks

The TSX Index dropped more than 35% in a matter of weeks, falling from nearly 18,000 on February 20 to below 11,250 on March 23. Since then, the market has recovered some lost ground. At the time of writing, the TSX Index is at 12,800.

The sell-off hit stocks across all sectors. Some will not recover, as they already faced severe challenges ahead of the coronavirus-driven plunge. Industry leaders with strong balance sheets, however, appear oversold, even after the recent rebound.

Economic turmoil is expected in the near term and risks remain, so investors should brace for ongoing volatility. The impact on businesses and consumers is severe, and it will take time for government aid to put a floor under the crisis and get the economy back on track.

That said, investors have a chance to pick up great dividend stocks with reliable distributions that now offer very attractive yields.

RRSP advantage

Canadians use their RRSP to hold stocks for decades. History suggests that buying top companies during market corrections can boost long-term RRSP returns. Dividends are not taxed while the funds are inside the RRSP, so investors can use the full value of distributions to buy new shares. This takes advantage of a powerful compounding process that can grow a portfolio significantly over time.

Let’s take a look at one top Canadian dividend stock that might be an interesting pick right now for a balanced RRSP portfolio.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leader in the North Amercian energy infrastructure sector. The mere mention of the word *energy* might send a chill down your spine. It's true the Canadian and U.S. oil producers are in trouble. Western Canadian Select (WCS) oil currently trades at just US$6 per barrel compared to US$40 in January. West Texas Intermediate (WTI) is down to US$20 per barrel compared to the 2020 high around $63.

Producers are reducing capital programs, and some players will disappear or be acquired. However, Enbridge's top clients are leading players in the industry and most will maintain output through the downturn. Enbridge simply transports the commodities, so it has limited direct exposure to the changes in oil and natural gas prices.

Once the global economy starts to recover, oil demand will rise. In addition, the price war going on between Saudi Arabia and Russia will eventually end. The two countries face dire long-term financial consequences if oil prices remain at these levels.

Enbridge has guidance in place for growth in distributable cash flow of 5-7% per year over the medium term. The 2020 and 2021 numbers might be reduced, but the dividend should be very safe.

Should you buy Enbridge now?

The stock trades at $39 per share compared to $57 in February, so there is significant upside potential when the market recovers. Bargain hunters who stepped in at $33 are already sitting on nice gains.

Those that buy today can still get a great dividend yield of 8.25% and simply tuck the stock inside their RRSP for the next 20 years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/25
Date Created
2020/03/31
Author
aswalker