



Big Buy Signals in Enbridge (TSX:ENB) and This Dividend Stock

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) stock and **Canadian Western Bank** ([TSX:CWB](#)) are TSX Dividend Aristocrats that have increased their dividends for more than 20 consecutive years. This indicates they have dividend-paying cultures deep in their DNA.

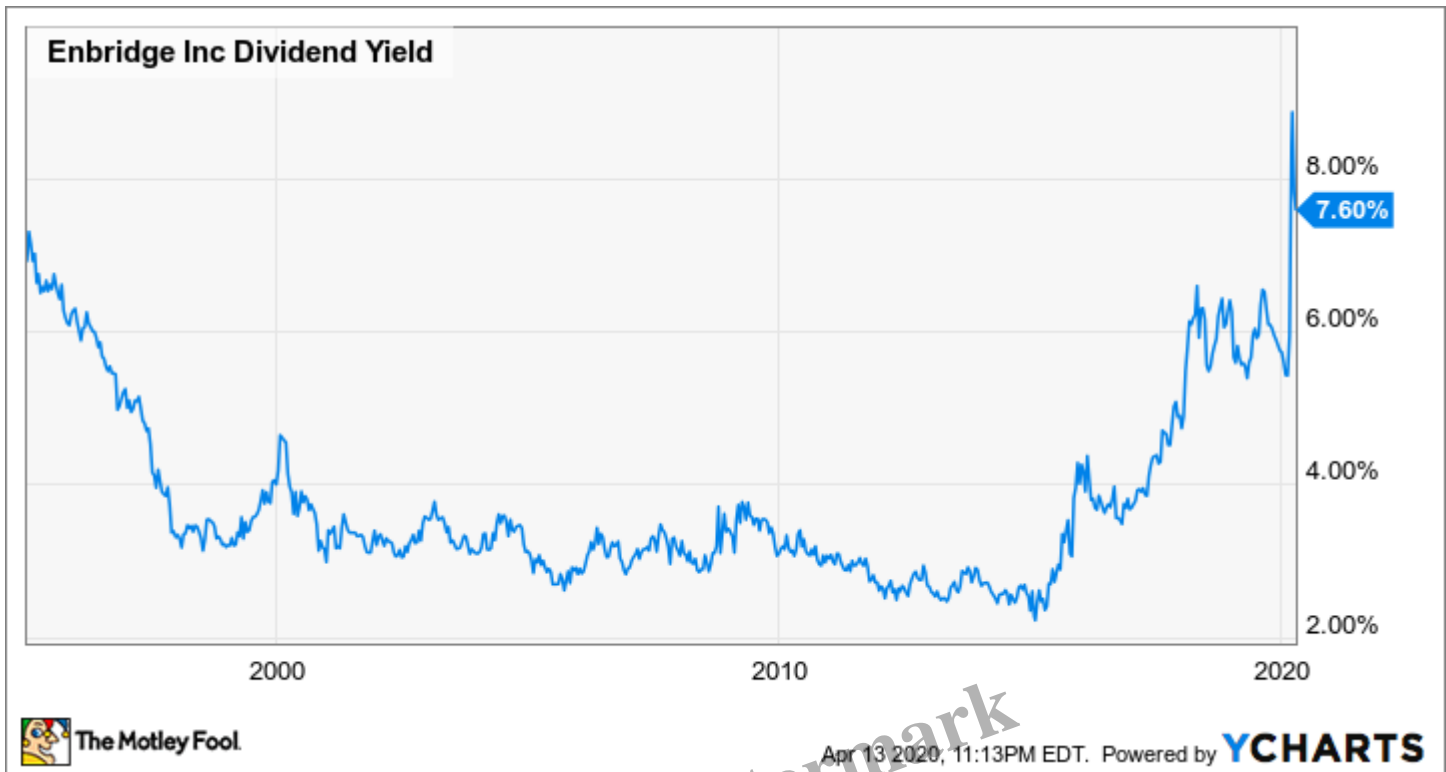
One of the strongest buy signals investors can get from stocks is insider buying. Insiders don't buy shares unless they think the investment is worthwhile.

There have been super-strong insider buying in these dividend stocks over the last few months. Therefore, now is the time to buy Enbridge stock and the Canadian Western!

Big buy signal in Enbridge stock: \$2,000,000 of insider buying

Since February, 12 insiders have, in aggregate, bought more than \$2 million worth of Enbridge stock over 26 transactions. The average buy price was \$44.52 per share, while the median buy price was \$48.83 per share.

Currently, investors can buy Enbridge stock at a meaningful discount of about 10-18% from these average prices. The dividend yield of 8.1% that Enbridge offers is absolutely incredible. Here's a chart that displays Enbridge stock's long-term dividend yield history.



ENB Dividend Yield data by YCharts.

In 2019, Enbridge stock's payout ratio was about 65% of its distributable cash flow. Investors are worried about the sustainability of Enbridge's dividend due to the lower demand for energy amid the fight against COVID-19.

Al Monaco, Enbridge's president and CEO, gave [an update](#) on the situation last week. The biggest hit will likely be in Q2. The hope is that a recovery will come in the second half of the year. However, it really depends on how the COVID-19 situation develops.

Enbridge will report its Q1 results on May 7 and Q2 results in early August. Investors may be able to buy the stock at even lower prices, as the company reports its earnings results over the course of the year.

However, at below \$40 per share, ENB stock already trades at a 25% discount from its 12-month price target. So, investors should consider averaging into the proven dividend stock over time.

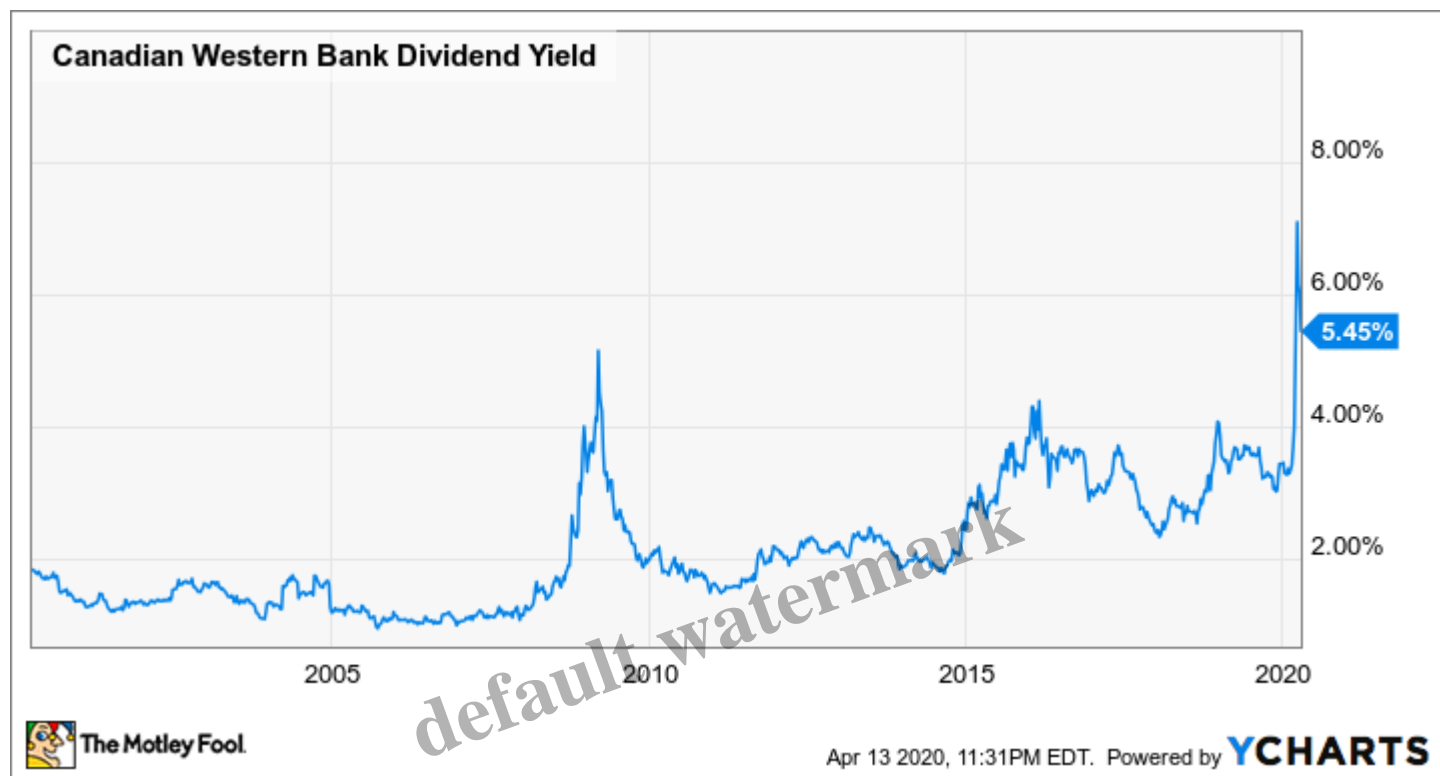
Big buy signal in this Canadian bank stock: \$1,000,000 of insider buying

Canadian Western Bank's insider buying of more than \$1 million in March across 11 insiders is even more meaningful than Enbridge's insider buying, because the bank is a much smaller company. The Canadian bank's enterprise value is about \$4 billion versus Enbridge's \$151 billion.

The insiders conducted 15 transactions, including one insider buying \$335,000 worth of stock for his

family trust. The average buy price was \$18.58 per share, while the median price was \$19.97.

At \$20.55 per share at writing, the dividend stock still trades at a bargain price — about 6.6 times earnings! This equates to a 20% discount from its 12-month price target. CWB stock's dividend yield is high at 5.6%. The chart below shows the long-term dividend yield history of CWB.



CWB Dividend Yield data by YCharts.

Investors are concerned about the bank's greater exposure to Alberta than the other Canadian banks. Surely, lower demand for energy makes CWB a higher-risk bank to invest in given its 32% loan exposure to Alberta.

However, Canadian Western Bank should be able to maintain its dividend given that its payout ratio is estimated to be about 37% of earnings this year.

The Foolish bottom line

There's no doubt there will be great volatility in the dividend stocks in the near term. However, if you have an investment horizon of three to five years, you should do very well by buying [Enbridge stock](#) and Canadian Western Bank in 2020.

The recent insider buying in the dividend stocks should boost investors' confidence in the Dividend Aristocrats, which have increased their dividends for 24 and 28 consecutive years, respectively.

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