Market Crash: Should You Buy Royal Bank (TSX:RY) or Enbridge (TSX:ENB) Stock?

Description

The stock market is finally giving back some of the large gains it's racked up over the past couple of months. Investors who missed the rebound are now searching for attractive stocks to add to their TFSA or RRSP portfolios.

Let's take a look at two industry leaders to see if one deserves to be on your buy list right now.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) is Canada's largest bank by market capitalization. It is also among the top 15 in the world.

The bank gets its earnings from a number of divisions, including retail and commercial banking, wealth management, capital markets, insurance, and investor and treasury services. The balanced revenue stream is an advantage for the bank and should continue to be a positive, as the economy rebounds.

Royal Bank entered the recession with a strong capital position. The bank recorded significant provisions for credit losses when the fiscal Q2 earnings report came out, but the CET1 ratio remains high at 11.7%. That means Royal Bank has adequate capital to ride out the downturn.

Despite the tough market conditions, Royal Bank still earned $1.5 billion in net income for the quarter ended April 30.

The dividend should be safe, and investors who buy the stock today can pick up a 4.8% yield. At the time of writing, the shares trade near $91.50. Royal Bank fell as low as $72 in March and was above $109 in February.

Bank stocks had a good run to start June, so I would probably wait for a better entry point. Investors might want to start nibbling below $90 and look to add to the position on any further downside.

Enbridge

Enbridge is a giant in the energy infrastructure sector. The company's market capitalization of roughly $85 billion makes it one of the largest companies on the TSX Index.

Enbridge (TSX:ENB)(NYSE:ENB) gets most of its revenue from regulated assets. This means cash flow should be relatively predictable and reliable, but it isn't immune to the global economic downturn.

Lockdowns and travel bans hammered fuel demand in the past three months. Airlines grounded thousands of planes and commuters parked their cars in the garage. Reduced fuel usage meant low refinery demand for the crude oil required to make gasoline, diesel, and jet fuel.

The result was a drop in volumes through Enbridge's core liquids pipeline network. This should be a short-term issue. The reopening of economies and a resumption in air travel will boost fuel demand. Gasoline, in particular, could see a strong surge as workers who would normally take public transit decide to drive to avoid the coronavirus.

Enbridge's natural gas distribution assets and renewable power operations continue to perform well. The company maintained its guidance for distributable cash flow this year, despite the rough Q1 and expected tough Q2 results.

The stock appears oversold at the current price of $42 per share. Investors who buy now can pick up a 7.7% dividend yield.

Is one a better buy?

Royal Bank and Enbridge are both top stocks that should be solid buy-and-hold picks for a TFSA or RRSP portfolio.

If you only buy one, I would make Enbridge the first choice today.

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aswalker