Should Income Investors Buy Enbridge (TSX:ENB) or Fortis (TSX:FTS) Stock?

Description

Bond yields continue to slide, and interest rates are expected to remain low for quite some time. This means income investors are getting very little return from guaranteed investments.

Dividend darlings

One popular alternative for securing better yield is to buy dividend stocks, but investors have to choose carefully.

Yields above 7% often signal a pending dividend cut. However, there are yields of 6-8% today on stocks today that have strong track records of dividend growth.

Other stocks with reliable payouts and solid dividend-growth guidance also appear attractive right now and still offer decent returns.

Let's take a look at **Enbridge** (TSX:ENB)(NYSE:ENB) and **Fortis** (TSX:FTS)(NYSE:FTS) to see if one deserves to be on your buy list.

Enbridge

Enbridge fell from $57 in February to a closing low near $34 in March. At the time of writing, the stock sits close to $42 and provides a dividend yield of 7.7%.

The company recently announced that 800 employees took buyouts. Enbridge is indirectly feeling the effects of a drop in demand for jet fuel, gasoline, and diesel fuel.

Why?

Enbridge moves oil from producers to refiners. The company saw a meaningful reduction in volumes along its Liquids Mainline due to the reduced demand of feedstock by refineries that make the various types of fuel.

The Q2 numbers are expected to be rough, but the reopening of economies around the globe should drive higher fuel demand in the coming months.

Enbridge has a strong balance sheet and is working through a solid capital program that should boost revenue as new assets go into service. The power generation and natural gas businesses continue to perform well and provide support while the liquids pipelines wait for throughput to return to normal levels.

The stock appears cheap at the current level, and the dividend should be safe.

Fortis

Fortis is a utility company with $57 billion in assets located in Canada, the United States, and the Caribbean. The company grows through acquisitions and internal expansion projects.

The current $18.8 billion capital program is expected to significantly boost the rate base in the next four years. This means revenue and cash flow should rise enough to support average annual dividend increases of 6% through 2024. Fortis gets nearly all of its revenue from regulated assets. This means the cash flow outlook should be predictable and reliable.

Fortis is a good stock for conservative income investors who don’t want to worry about the ups and downs of the global markets. The board raised the dividend in each of the past 46 years.

The existing payout provides a 3.7% yield. The stock trades around $51.50 at the time of writing and was above $58 earlier this year, so there is decent upside potential as the economy recovers.

Is one a better bet?

Enbridge provides a much higher yield and appears oversold right now, but it also carries more risk. Fortis should be a safer pick and is reasonably priced with a decent yield.

Investors who can handle the extra risk and are of the opinion the global economy will see a V-shaped recovery might want to make Embridge the first choice. Otherwise, I would split a new investment between the two stocks.

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aswalker