2 Blue-Chip TSX Stocks to Buy for the Dividends

Description

Warren Buffett is as close as the financial world gets to a bona fide investment guru. His stock choices are picked over and scrutinized by portfolio managers, pundits, and shareholders alike. It's no small matter, then, that his holding company **Berkshire Hathaway** has struck a US$10 billion deal to buy **Dominion Energy's** gas and storage assets.

The move will increase Berkshire Hathaway Energy's interstate gas market share to 18%. Buffett is clearly bullish on gas. And knowing his eye for a bargain, investors may want to take it as read that natural gas prices have reached the bottom. So, should Canadians rethink their stock portfolios in response? Is natural gas a strong play for the long term? Let's examine the options together.

Natural resources: A classic Canadian play

The fact that the Oracle of Omaha is leaning into natural gas should be encouraging to Canadians. The move is suggestive that natural gas could be made of upside from here on in. TSX investors may therefore want to take a look at similar names this side of the border. Such luminaries as **Algonquin Power & Utilities** should fit the bill (TSX:AQN)(NYSE:AQN).

And while oil prices have weighed on pipeline stocks, names like Enbridge could come out batting for the green team in years to come. With its sizeable natural gas segment and a toehold in the green power sector, **Enbridge** (TSX:ENB)(NYSE:ENB) could be one to watch for future moves in a more sustainable direction.

Indeed, comparing AQN and Enbridge right now throws up some interesting parallels. AQN is in the gas distribution business, though it also generates energy from hydroelectric, wind, solar, and thermal sources. Enbridge's revenue is weighted primarily from its pipelines segment, though gas makes up a considerable 40% segment. Renewable energy totals around 5% of its breakdown.

Two rich-yielding TSX 60 stocks

Passive income is the name of the game when it comes to long-term, low-risk stock investing. A recovery in natural gas prices also makes for a strong long-term capital appreciation thesis. Enbridge scratches the itch for yield, clocking in with a rich 7.8% dividend. AQN packs a lower 4.8% dividend yield. However, this is suitably rich, coming in just below the 5% mark requirement that typifies many long-range income portfolios.

But how much of these percentages come from market losses? Let’s compare the share price fluctuations for each of these TSX 60 stocks over the past year. In 12 months, Enbridge has lost 13.3%. Meanwhile, AQN has gained 10.7% since this time last year. Investors buying rich yields should also be making sure that distributions are augmented by dividend-growth potential and backed up with comfortable payout ratios.

But while investors may want to rethink their exposure to natural gas, there could be than meets the eye to the latest Berkshire Hathaway move. Dominion is positioning itself as a wind, solar, and natural gas pure play in the regulated utility space. Therefore, investors may also want to factor in the “green economy” element. From Bill Gates to Jim Cramer, renewable energy is a global megatrend with big-name backers.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
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vhetherington