



Alert: Researchers Have Found the Best Stocks to Buy

Description

Finding the best stocks to buy is part art and part science. Luckily, plenty of asset managers and institutions have employed researchers and academics to study the science of stock picking. Here's what decades of research seems to suggest and what you need to know about picking investments.

The best stocks to buy

According to industry experts, the best stocks to buy are loosely defined as "dividend-growth stocks." These are companies with two characteristics — they pay dividends, and they tend to increase dividends every year.

In 2010, researchers at **BlackRock** estimated that a jaw dropping 90% of the stock market's total return could be attributed to this "dividend-growth" phenomenon. Meanwhile, researchers at Standards & Poor's found a different result. According to its estimates, dividend growth could be responsible for nearly one-third of the stock market's total return over time.

I'm not an expert, so I can't tell you why these two studies arrived at such different results. However, it seems clear that dividend stocks have an underrated impact on stock market performance over time. It sounds intuitive, after all. Companies that can afford to expand shareholder payouts over time are probably growing profits at a decent clip.

With that in mind, these dividend-growth opportunities could be the best stocks to buy for most investors.

Here's an example of one of the best dividend-growth stocks in the country.

Enbridge

North America's largest energy infrastructure company, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), is probably one of the best stocks to buy. It's a robust dividend-growth stock with an unparalleled track record. Over the past five years, Enbridge stock's dividend has expanded 16.33%. Its dividend yield is 7.8%, making it one of the most lucrative dividend stocks on the market.

Enbridge has been losing market value since the oil price crashed in 2014. Its stock is worth 40% less today than it was just five years ago. However, dividends and cash flows have steadily expanded over the same period. In other words, Enbridge has created value while its market price dropped, making it [a bargain](#).

Warren Buffett seems to agree. He recently made a US\$10 billion bet on energy pipeline assets in the U.S. It's the Oracle's largest bet in years and could indicate that the industry is being overlooked by most investors. Savvy investors seeking a bargain should pay close attention to Enbridge stock.

If investor sentiment shifts in the coming years, Enbridge could deliver tremendous price appreciation along with its usual dividend growth.

Bottom line

Everyone has a unique stock investment strategy. Picking the best stocks to buy is an imperfect science. However, industry experts have studied stock returns over the past few decades and have discovered that dividend growth plays an outsized role in total stock performance.

Over time, the companies with the most robust and expanding dividends usually deliver the best returns. With that in mind, long-term, value-oriented investors should keep a close eye on dividend-growth stars such as Enbridge.

CATEGORY

1. Dividend Stocks
2. Investing

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