TSX Stocks: Is Enbridge (TSX:ENB) a Buy?

Description

On the back of a vaccine-related rally, many TSX stocks have made big gains recently. In particular, some Dividend Aristocrats have reclaimed gains they'd lost in previous months.

However, these short-term rallies shouldn't change fundamental investment decisions for long-term investors. That is, many long-term investors are still seeking large but reliable dividends with stocks that have room to grow.

Likewise, while there could certainly be bumps in the road ahead, long-term investors can still pick up TSX stocks that have great long-term outlooks. The key is picking between these stocks to find the right one.

Today, we'll look at **Enbridge** (TSX:ENB)(NYSE:ENB) and see whether it's a stock Canadian investors should keep an eye on.

Enbridge

This energy-distribution giant is one of the most well-known TSX stocks. It's based in Calgary, Alberta, but has operations across North America in which it generates and distributes energy.

While Enbridge has long been a favourite among dividend investors, it's no secret that 2020 has been a rough year. With general economic upheaval combined with a particularly volatile oil market, business has been unsteady.

In fact, year-over-year quarterly revenue growth sits at -21.5%. Meanwhile, some other major TSX stocks are starting to post positive figures once again. Volatile prices and demand make for tough sledding for this energy giant.

Now, long-term investors might argue that the stock's current trading price of $38.35 simply offers a discounted entry point. After all, at that price the stock is yielding a whopping 8.43%.

While that may be true, I'd caution long-term investors to be mindful of that yield's sustainability. While Enbridge has a pretty solid track record when it comes to its dividend, these are unique circumstances.

In particular, the dividend-payout ratio sits at 330% for this TSX stock. That simply isn't remotely sustainable over an extended period of time.

So, investors can certainly pick up shares and enjoy the yield now, but the risk of a hefty dividend cut is certainly there. Long-term investors might prefer to look for a yield that's a bit more reliable.

Check out BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is a major Canadian bank with a prominent and flourishing presence in the U.S. as well. This TSX stock is known for having a remarkably dependable dividend and solid growth prospects.

In fact, BMO has the longest dividend-payment streak in Canada, as it's paid a dividend annually since 1829. There have been a wide range of challenges during that long period of time, and BMO has withstood them all to continue delivering value to investors.

As of this writing, this banking giant is trading at $90.28 and yielding 4.7%. While that yield isn't as attractive as Enbridge's at face value, it's coming attached to a very reliable TSX stock in BMO.

Plus, BMO's payout ratio is only around 60%, and it has plenty of support and access to liquidity it can rely on. All of a sudden, that 4.7% yield looks a lot better when considering its sustainability.

While Enbridge might be a solid choice for risk-taking dividend investors, a stock like BMO offers a more reliable investment.

TSX stock picking

Many TSX stocks are still trading at levels that are attractive to long-term investors. Picking which stocks to buy comes down to your needs and long-term outlook.

Enbridge is currently a riskier option when it comes to dividend investing, while a stock like BMO offers virtually unrivalled stability when it comes to dividends.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:ENB (Enbridge Inc.)

3. TSX:BMO (Bank Of Montreal)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/25
Date Created
2020/11/17
Author
jagseguin