2 Dividend Heavyweights to Buy and Hold for 20 Years

Description

The stock market isn't looking too cheap these days, with all the excess liquidity and speculative activity going on. 2020 was a huge year for momentum plays, white-hot IPOs, SPACs, and speculative cryptocurrencies, and it paid to neglect the price paid for a given asset. While chasing momentum has been a winning strategy last year, I think that old-fashioned value investing will win once the dust has a chance to settle and Mr. Market has a chance to correct the frothier parts of this market.

Yes, the markets as a whole may be on the higher end of the valuation range, but there are ample bargains on the **TSX Index** that could be ready to roar higher if we're due for a growth-to-value rotation.

In this kind of pandemic-plagued environment, defensive dividend heavyweights aren't nearly as attractive as they used to be. Former dividend darlings like **BCE** (TSX:BCE)(NYSE:BCE) and **Enbridge** (TSX:ENB)(NYSE:ENB) are at the lower end of the valuation spectrum, with dividend yields that are skewing to the higher end. While both names face a bumpy road to recovery, I'd argue that the shares of both companies already have a considerable amount of negativity baked in such that they're more likely to be spared once the broader markets fall into a correction.

BCE

BCE is a Canadian telecom behemoth that I think will be among the first to take off once the pandemic ends. The horrific COVID-19 crisis has curbed the appetite for mobile (and roaming) data while delaying the "5G boom" (rapid adoption of 5G tech) by at least a year, if not more.

Once it's safe to go out without running the risk of contracting the insidious coronavirus, I suspect things will pick up where they left off in 2019. For those willing to hang on to the name for at least three years, BCE is an overly depressed dividend heavyweight that could stand to correct sharply to the upside.

In the meantime, BCE's dividend payout looks more than safe and ought to act as a major incentive for income investors to hang in through another several waves of the storm. With shares trading at just 2.1 times sales, BCE is one of my top value picks for those seeking to "lock in" a sizeable yield alongside a shot at outsized capital gains over the medium to long term.

Enbridge

Following the coronavirus market crash, the yield bar has been raised across the board, especially for the pipelines. While yields have been on the downtrend of late as a part of the late-2020 recovery, Enbridge is a name that still boasts a commanding payout that's far safer than most would expect, given medium-term catalysts on the horizon and one of the shareholder-friendliest management teams out there.

At the time of writing, ENB stock sports a juicy 7.5% dividend yield. While the act of "reaching for yield" is seen as a "stupid" one by the investment greats like Warren Buffett, I'd argue that the incredibly shareholder-friendly nature of Enbridge's management team makes the dividend far less dangerous to reach for than most other near-8%-yielders.

In prior pieces, I've noted that Enbridge was more than willing to swim to great lengths to keep its dividend commitment to shareholders. While selling non-core assets and borrowing to finance a hefty dividend commitment isn't a great formula over the long haul, I'd argue that with cash flow-generative projects (like the Line 3 Replacement) up ahead, the dividend is far safer than its high payout ratio would suggest.

With a pretty bullish reverse head-and-shoulder reversal pattern that looks to have formed, Enbridge stock looks to me like one of the timelier dividend heavyweights today.

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