



Best TSX Stocks for Dividend Growth in 2021

Description

Canadian income investors want to own the best **TSX** stocks that offer reliable and growing dividends.

The pandemic downturn forced a number of top dividend payers to put distribution hikes on hold. Others even cut the payouts to preserve cash. Some, however, continued to raise the dividend last year despite the tough times.

Let's take a look at two top Canadian [dividend stocks](#) that raised payouts in 2020 and trade at cheap prices today.

Why Enbridge remains a top dividend stock in 2021

Enbridge ([TSX:ENB](#)) ([NYSE:ENB](#)) saw volumes drop along its main oil pipeline network in 2020. The plunge in fuel demand due to airlines cutting routes and people working from home meant refineries had little need for crude oil feedstock. Jet fuel demand won't rebound until governments lift restrictions on air travel. That might be in late 2021 or even 2022.

However, the IEA expects global gasoline and diesel fuel usage to make up most of the 2020 losses by the end of the year.

Enbridge's oil pipelines typically operate near capacity. The recent decision by Joe Biden to kill a competitor's [Keystone XL pipeline](#) project eliminates extra capacity that would have run into the United States. That should benefit Enbridge.

Enbridge's natural gas transmission, storage, and utility assets don't get as much attention as the oil pipelines, but they provide reliable revenue and cash flow streams. At the same time, Enbridge has a growing renewables group with solar, wind, and geothermal assets.

The company expects ongoing projects to help boost distributable cash flow by 5-7% per year. The dividend should increase at the same rate. Enbridge stock already offers a 7.5% yield.

The share price appears [cheap](#) today near \$44, so you get great returns with a shot at decent upside in the stock price.

Why TC Energy is still one of the best TSX stocks for dividends

TC Energy ([TSX:TRP](#)) ([NYSE:TRP](#)) is the company that was building the Keystone XL pipeline. The project faced opposition for more than a decade. President Obama cancelled the pipeline. President Trump gave it a chance to go ahead. President Biden just rescinded Trump's presidential permit. That's likely the end of the story. TC Energy will now focus its investment and energy on other opportunities.

The firm is primarily a natural gas transmission business with vast pipeline infrastructure and storage assets. TC Energy also produces power. These groups have positive futures and should deliver strong returns. On the natural gas side, the cold winter in Asia and Europe this year caused gas shortages, highlighting the importance of an expansion of the global liquefied natural gas (LNG) market. TC Energy has the strategic infrastructure in place to move natural gas from Canadian and U.S. producers to LNG terminals that can send the product to overseas markets.

The board intends to raise the dividend by 8-10% in 2021 and by 5-7% per year afterwards. The market had already priced in the Keystone XL decision, so the stock could get a nice lift through 2021 as investors focus on the other growth developments.

TC Energy appears oversold around \$56 per share and provides a 5.8% yield.

The bottom line

Enbridge and TC Energy trade at attractive prices. The stocks offer above-average dividend yields with strong growth on the horizon. If you have some cash looking for top dividend picks these stocks deserve to be on your radar.

CATEGORY

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3. TSX:ENB (Enbridge Inc.)
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