



Top 2 Dividend Stocks for 2021

Description

2020 was arguably the year of the growth stock. If you'd bought a tech stock when the crisis erupted, chances are, you're sitting on handsome profits right now. However, 2021 is likely to be the year of the rebound, and undervalued dividend stocks could see a resurgence.

The global economy is poised to reopen by the end of the year. That means people could start traveling and shopping again. That surge in economic activity is usually reflected in energy demand. Oil, specifically, could touch new highs in 2021. This is why my top two dividend stock picks are in the energy sector. Here's a closer look.

Dividend stock #1

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is probably the best play here. The company owns and manages energy infrastructure, which locks in cash flows for years. Enbridge benefits from the fact that oil needs to flow across North America through its pipes, even when demand dips.

This steady stream of cash flow is so robust that Enbridge has delivered [dividend growth consistently for over 25 years](#). That includes a 3% boost last year, despite the plunge in oil prices and economic chaos.

This year, this dividend stock is poised for a bumper year. Not only is there likely to be more oil flowing across the continent, the oil is likely to be more valuable. A barrel of crude is currently worth US\$58 — significantly higher than last year. That means investors who get in early could expect a boost in dividends as well as capital appreciation soon.

Dividend stock #2

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is an energy play trading at a discount after tanking on COVID-19 disrupting the energy industry. The company has completed all maintenance activities and returned operating activities to standard operational rates awaiting full recovery of the energy industry this year.

With refineries back to full capacity, the company remains well positioned to benefit from an uptick in demand for oil with global economies opening. Economic expansion and revival of energy demand should provide a strong base for Suncor growth in 2021.

Improvement in crude oil prices is one of the reasons to remain up the bit about Suncor prospects in 2021. Higher oil prices above the \$50-a-barrel level should boost its top line in 2021. Management lowering operating and capital expenses also set the company on a path to improved margins and bottom line.

Suncor Energy is an ideal energy play in part because it has sustained its 3.9% dividend yield amid the challenging macro environment. Rising oil prices should increase revenues, thus higher free cash flow, from the oil business, allowing the company to further increase its dividend offering.

As it stands, Suncor Energy offers the second-best route to gain exposure to Canada's energy sector. Its 3.9% dividend is not only attractive but sustainable as oil prices edge higher. Warren Buffett is already one of the company's biggest investors, which means there is something worthwhile in the company as a long-term play.

Bottom line

Dividend stocks in the oil sector are a top bet for 2021.

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1. Investing

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2. NYSE:SU (Suncor Energy Inc.)
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Author

vraisinghani

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