



2 Top Canadian Dividend Stocks to Buy in an Expensive Market

Description

The stock market rally over the past year wiped out most of the good deals, and many stocks now appear overbought. Savvy investors, however, can still find a few top Canadian dividend stocks that look reasonably priced or even [undervalued](#).

Why Enbridge is still a top Canadian dividend stock

Enbridge isn't an [oil producer](#). The company simply moves crude oil from the energy companies to refineries and collects a fee for providing the service.

Throughput on the oil pipeline network took a hit last year as fuel consumption plunged, but Enbridge is seeing demand for its services recover. The oil pipelines normally operate near capacity. This should be the case again once pandemic travel restrictions end and fuel demand recovers.

The International Energy Agency (IEA) said in its December 2020 report that global gasoline demand should recover to near 2019 levels by the end of 2021.

As travel restrictions ease, airlines will increase flights and drive up demand for jet fuel. Office workers will start returning to their desks in the coming months as well. That should boost the need for gasoline as workers who bailed out of the downtown core now become highway commuters. In the United States, all adult citizens should have access to a COVID-19 vaccine by the end of May. Canada's vaccine rollout is catching up and could hit that goal by the end of the summer.

Enbridge's natural gas transmission, storage, and distribution businesses performed well through 2020. The renewable energy group, which includes wind, solar, and geothermal assets, also had a good year. These divisions helped offset the hit on the oil pipeline side of the business and allowed Enbridge to boost the dividend for the 26th straight year.

The stock trades near \$45 per share at the time of writing compared to \$56 before the pandemic. Investors who buy now can pick up a solid 7.4% dividend yield. Annual distribution growth should continue in the 5-7% range in line with anticipated increases in distributable cash flow, so you get paid

well even if the stock price stagnates.

TC Energy stock looks cheap right now

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is another leading energy infrastructure company in the North American market. The core business includes vast natural gas transmission networks in Canada, the United States, and Mexico.

Strategic acquisitions and organic growth over the past 20 years put TC Energy in a strong position to capitalize on rising demand for natural gas. The fuel is considered a better alternative than coal for energy production and is preferred over nuclear plants in many countries for future power projects.

The global liquified natural gas (LNG) market is going through some growing pains, but the long-term prospects are attractive for North American gas producers. TC Energy has the infrastructure in place to play a key role in moving natural gas to LNG terminals for export.

Solid [2020 results](#) underlined the quality of the assets and the good times should continue. TC Energy's \$20 billion secured capital program will help increase revenue and cash flow in the coming years. The board intends to raise the dividend by 5-7% per year over the medium term.

TC Energy stock traded for \$75 per share early last year. Investors can buy it for close to \$57 at the time of writing and pick up a 6% dividend yield.

The bottom line on top Canadian dividend stocks

Enbridge and TC Energy pay growing dividends with above-average yields. These top Canadian dividend stocks appear reasonably priced in an expensive market and deserve to be on your dividend stock buy list.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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Date

2025/07/02

Date Created

2021/03/22

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