



Today's Top High-Yield Stock: Enbridge (TSX:ENB)

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a high-yield stock that doesn't get the [respect](#) it deserves. Shares of the pipeline giant have been quite the roller-coaster ride over the years. Through the company-specific pressures and industry headwinds, the company has managed to not only keep its dividend intact but on steady footing. Although some bears may slam the firm for not having "earned" the right to hike its dividend, I'd argue that the firm has done an incredible job balancing its steep dividend payout with growth initiatives.

Heck, I wouldn't hesitate to slap the company with the title of the most shareholder-friendly management team in Canada. As headwinds gradually fade in the energy patch, I suspect there's a high chance that Enbridge stock can climb out of its funk. But if you wait for headwinds to turn to tailwinds, you'll probably end up getting a fraction of the yield. Today, shares sport a 7.4% yield, far less than the +8% yield the high-yield stock had a year ago, but it's still a great deal for longer-term value investors.

While I'm not yet ready to call a bottom in the stock, I think the risk/reward scenario is the best it's been in quite a while. With shares up nearly 30% from their late-2020 bottom, Enbridge is starting to pick up meaningful traction. But this could reverse as energy prices continue to fluctuate wildly. I suspect it'll be a bumpy ride back to the top for Enbridge stock, but the rich dividend yield should be more than enough of an incentive to stay on the ride for years to come.

Enbridge: A top dividend stock to buy ahead of a reopening?

Fellow Fool contributor Andrew Walker recently touts Enbridge as a [top dividend stock to buy in an expensive market](#). As usual, I think the man is right on the money. The high-yield stock is undervalued, with room to run ahead of the great economic reopening.

"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," wrote Walker. "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."

A beneficiary of the growth-to-value rotation

Enbridge isn't just a great reopening play; it's a play that'll likely continue to benefit from a broader rotation back into good, old-fashioned value. Many pundits expect that the 10-year U.S. Treasury note will remain under pressure. Some see the note yield surpassing the 2%, even the 3% mark. And if that's the case, the vicious tech sell-off will continue, and more love will likely be given to neglected high-yield value stocks just like Enbridge.

Enbridge stock currently trades at 17.3 times next year's expected earnings and 1.72 times book. If that's not cheap, I don't know what is. The energy patch is looking up. With Enbridge's commitment to diversify away from just energy transportation (Enbridge recently announced the Calvados offshore wind project), I think there are few reasons to remain on the sidelines with the name.

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