Dividend Investors: Should You Buy Enbridge (TSX:ENB) or TD (TSX:TD) Stock Now?

Description

Enbridge (TSX:ENB)(NYSE:ENB) and **TD** (TSX:TD)(NYSE:TD) are two of Canada's top dividend stocks. Is one a better buy today?

Enbridge

While this stock had a rough run over the past year, the outlook for the second half of 2021 and beyond should be better. The rebound in oil prices and rising fuel demand bode well for Enbridge's oil pipeline network. Enbridge is a major player on the oil side of the energy infrastructure sector, moving roughly 25% of all oil produced in Canada and the United States.

Vaccination progress on COVID-19 should result in more travel as people book flights to go on trips and workers head back to the office. A surge in demand for jet fuel and gasoline in the coming months is expected. Enbridge doesn't produce oil, but it transports the crude oil feedstock to the refiners.

The company's natural gas transmission and utility businesses performed well in 2020, as did the renewable energy assets, which helped offset the hit to the oil pipelines and enabled the board to raise the dividend for the 26th straight year.

The stock bottomed out near $36 in November and has since rebounded to the current price near $46 per share. Enbridge still appears undervalued given the anticipated recovery in the energy sector and the stability of the distribution. Investors who buy the stock at this level can pick up a 7.25% dividend yield.

Enbridge traded for $56 per share before the crash. It wouldn't be a surprise to see the stock top $50 by the end of the year.

TD

Canada's second-largest bank by market capitalization cruised through the pandemic in good shape and investors just got a sense of how the bank's operations are performing as the Canadian and U.S. economic recoveries kick into gear. TD reported strong fiscal Q2 2021 results. Adjusted earnings came in at $3.8 billion for the three-month period — up $2.2 billion from the same period last year.

TD reported a provision for credit losses (PCL) recovery of $377 million, reflecting the success the government aid programs have had in helping households and businesses avoid defaulting on loans and mortgages.

TD finished the quarter with a CET1 ratio of 14.2%. This means the bank is sitting on billions of dollars in excess cash that will likely be deployed in the next year or two through acquisitions, share buybacks, and dividend increases. TD has a large U.S. business and it wouldn't be a surprise to see the bank do a deal south of the border to boost growth.

TD is one of the best dividend payers in the **TSX Index** and investors should see a generous hike as soon as the banks are allowed to start raising payouts. Investors who buy the stock right now can pick up a 3.65% yield.

Is one a better buy?

Enbridge and TD are both great picks for buy-and-hold dividend investors. If you only choose one, I would probably make Enbridge the first choice today. The dividend yield is roughly double what you get from TD and Enbridge's stock likely has better upside potential over the next 12 months.

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aswalker