Here's the Next Dividend Stock I'm Going to Buy

Description

The stock market is going bearish, as the economy slows due to inflation and tightening monetary policy. Most stocks that inflated during the pandemic have receded, as investors are panic selling. Less liquidity reduces your risk-taking capacity. To add to it, fear of recession and concerns around the equity investments going bust increase.

At such times, you need to be greedy. It is tough, but every recession in the last 80 years has shown that buying fundamental stocks in the dip rewards handsomely. In times of uncertainty, dividend stocks provide some assurance and even mitigate the portfolio downside.

The dividend stock you have

The moment I ask anyone which dividend stock they hold, one name that pops up in most portfolios is **Enbridge** (TSX:ENB)(NYSE:ENB). The stock is popular among dividend lovers as it has a legacy of +45 years of dividend payments. It has one of the traditional businesses of oil and gas pipelines. Even Warren Buffett has a significant holding in pipeline stocks because of their dividend-paying capacity. Buffett's biggest purchase in 2020 was **Dominion Energy's** natural gas pipeline.

However, pipeline companies' dividend-growth capacity could take a hit, as the United States moves toward green initiatives. Last year, **TC Pipelines** withdrew its Keystone XL Pipeline project after President Joe Biden cancelled the project. The project got delayed due to environmental concerns, and recently, it became a political debate. The Russia-Ukraine war has made oil and pipelines a key discussion.

All the political and environmental attention pipelines are attracting could impact their future dividend growth. Enbridge has slowed its dividend growth from about 10% in 2020 to 3% in 2021 and 2022. Even Buffett's **Berkshire Hathaway** scrapped plans to buy Dominion's Questar Pipelines business due to antitrust concerns.

However, Enbridge and other pipeline companies are still a dividend lover's nirvana, for existing pipeline infrastructure is a cash cow that earns them toll money. Pipelines are still the most efficient form of transmitting oil and gas. If you already own Enbridge stock, keep holding it.

Next dividend stock you want

The next dividend stock to buy is **BCE** (TSX:BCE)(NYSE:BCE), the telecom giant of Canada. You may think it is yet another infrastructure stock that earns toll money from its wireless and wireline towers. The big difference is that toll money is called a subscription, and BCE earns it from both retail and institutional customers.

Telecom has become the utility of the digital age, where everything is connected to the internet. The telecom market is consolidated as it requires huge capital to set up the infrastructure. Every country has top two or top three telecom players, and subscribers keep shuffling between them. For Canada, BCE is the largest telecom giant by infrastructure. Moreover, the company has been upgrading its network to 5G.

BCE is not much affected by inflation or recession, as people and companies will use the internet. And 5G is a long-term growth trend, as it will set the infrastructure for autonomous cars and smart cities. BCE's first-quarter revenue surged 2.5%, whereas net earnings surged 36%. The profitability improved as the company provided 5G coverage to 75% of the Canadian population. This coverage will grow further as it builds the infrastructure. More coverage means more subscriptions, which mean dividend growth. Hence, it is no surprise that BCE maintained its 5% dividend growth, even during the pandemic, and it could do so during the recession.

In an economy where inflation crossed 6.7%, 5% dividend growth could ease some pressure of rising prices. BCE stock fell 7% in the current market pullback, creating an opportunity to lock in a dividend yield of over 5%.

Why do you need both Enbridge and BCE stocks in your portfolio?

In 2021, both Enbridge and BCE stocks surged 21%, riding the recovery rally. They surged 14% and 3.7% year to date, outperforming the TSX 60 Index, which fell 5.2%. Both the stocks have a dividend yield of over 5% and have increased dividends during crises. Having both stocks can mitigate your portfolio downside while giving you sector diversification.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

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