Got $1,000? Consider This 6.39% Dividend Stock

### Description

Inflation has been getting hotter and hotter each passing month. The inflation rates in Canada reached an astounding 7.7% in May, marking another multi-decade high. Analysts expect June's inflation figures to be as high as 8%. The recent increases in prices across the board have Canadians worried.



The Bank of Canada (BoC) introduced several interest rate hikes to control red-hot inflation. So far, increasing interest rates has failed to deliver tangible results.

The resilience of inflationary conditions prompted the BoC to take things up a notch and become more aggressive with its monetary policy tightening. The Canadian central bank announced an unprecedented increase in benchmark interest rates by 100 basis points, bringing the overnite rate up to 2.5%.

Following the US Fed's 75-basis-point interest rate hike in May, economists anticipated a similar rate hike here, but the BoC announcement has surprised everyone. Canadians already struggling with the rising cost of living now have to contend with significantly diminished borrowing power.

The BoC is targeting bringing inflation down to 2%, but it seems unachievable at this point.

## More hikes will come

Increasing interest rates is the only tool central banks have to keep inflation in check. However, the BoC had to maintain historically low interest rates amid the pandemic to ease the financial pressure on the population.

The influx of stimulus funds into the economy allowed inflation to run rampant. The BoC cannot go back in time to enact interest rate hikes, and Canadians will need to face the impact of higher interest rates and inflation until inflation cools down.

Decreasing interest rates would not be a practical move because inflation has more of a devastating long-term impact than slowing down economic growth. While recessionary fears are high, a prolonged contraction in economic activity is unlikely to hit in the immediate term. Canadians have no choice but to accept that inflation will persist for a while and further interest rate hikes are likely in the coming months.

Allocating your capital to lessen the impact of the current economic environment may be the best way to protect your finances right now. Dividend investing has become popular in the last few years. Today, I will discuss one dividend stock you can consider adding to your portfolio to generate passive income through shareholder dividends.

## Dividend yielder Enbridge

**Enbridge Inc.** (TSX:ENB)(NYSE:ENB) is a Canadian multinational pipeline company with a $109.1 billion market capitalization. Headquartered in Calgary, Enbridge owns and operates an extensive pipeline network responsible for transporting hydrocarbons across North America.

It also owns and operates a regulated natural gas utility business and Canada's most significant natural gas distribution company. The company plays a vital role in the region's economy.

Higher energy prices have boosted financials for energy sector stocks, and Enbridge has benefited from the boom. Enbridge stock trades for $53.85 per share at writing and boasts a juicy 6.39% dividend yield.



Down by almost 10% from its 52-week high, its lower valuation has inflated its dividend yield. Despite the weak performance of energy stocks on the **TSX**, key players in the energy industry like Enbridge are well-positioned to continue delivering shareholder dividends.

## Foolish takeaway

Higher energy prices are a major factor contributing to record inflation levels. Investing in income-generating assets that can provide you with high-yielding dividends could be a good way to reduce the impact of the economic crunch on your investment portfolio. Investing in Enbridge stock at current levels could help you lock in its high-yielding dividends and benefit from capital appreciation once the economy starts to recover.

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