Now's a Good Time to Buy Enbridge Stock for Your RRSP

Description

RRSP investors shouldn't be rattled by recent weakness across the broader markets. For those who don't plan on retiring anytime soon, the volatile storm should be viewed as an opportunity to put cash to work.

With 8.1% inflation plaguing the Canadian economy, there are more large interest rate hikes expected from the Bank of Canada. For RRSP investors, this means that cash — typically a save asset — is so vulnerable to inflation that it may no longer be worth hoarding. Even for RRSP investors who shy away from volatility, the equity markets are key to dodging and weaving past price increases that could persist for the rest of the year.

RRSP investors must understand the insidious impact of high inflation

Currently, the **Bank of Canada** is on the right track, with 100 bps (basis point rate) hikes after a lack of action in 2021. Still, RRSP investors shouldn't look to an outside authority to stomp out inflation. Where Canada's CPI (consumer price index) numbers will be a year from now remains unknown, even with front-loaded hikes to be delivered over the next few months.

I'd argue that CPI will likely remain above 2% in a year, even as the Canadian economy slips into a recession. Though high inflation and stagnant growth are a dreaded combo, it's worth noting that such a stagflationary environment is more of a moment in time rather than a persistent environment worth worrying about.

Commodity prices are falling, with WTI (West Texas Intermediate) prices now at around US$100 per barrel, down from over US$120. Such weakness in commodities is a disinflationary force. Still, until CPI can retreat, the Bank of Canada's job will not be done.

In the meantime, RRSP investors must find the right balance for their portfolios. If you're overweight on cash and light on equities, it may be time to check out low-cost dividend payers like **Enbridge** (
TSX:ENB

)(NYSE:ENB) to help offset inflation's wealth-eroding effects.

Enbridge: A dividend growth juggernaut for RRSP investors

Enbridge stock is up just north of 9% year-to-date, thanks in part to the improving energy price environment. Recently, shares slipped around 15% alongside the rest of the **TSX** Index as investors grew fearful over the looming recession or economic slowdown.

Indeed, WTI's plunge had recession fear written all over it. Though Enbridge stock was dragged down, it held its own far better than the energy producers, many of which fell into a bear market.

Pipelines aren't as sensitive to oil price fluctuations as producers. A US$20-30 haircut in WTI prices doesn't mean nearly as much to Enbridge; a firm tasked with transporting energy from point A to point B.

At 2.2 times sales and 19.1 times trailing earnings, Enbridge stock is a bargain for RRSP investors looking for a quality dividend that can persevere even through the most challenging times. The dividend survived the pandemic crisis and the 2014 oil crash. And it will probably stay intact (and perhaps continue growing) through a potential 2023 recession.

Looking ahead, management is upbeat, reaffirming the 2022 EBITDA guidance of $15.3 billion. With a 6.24% dividend yield and a below-average 0.89 beta (a measurement of how much the price of a stock tends to fluctuate compared to other stocks), Enbridge is an excellent holding to calm the market's choppy waters.

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