Why it's the Right Time for Canadian Investors to Buy Dividend Stocks

Description

The Canadian stock market has seen a bumpy ride in 2022 so far. After inching up in the previous two quarters, the **TSX Composite Index** tanked by 13.8% in the second quarter (Q2), marking its worst quarterly losses since the start of the COVID-19 pandemic. While the third quarter started on a positive note, with the main Canadian market benchmark recovering by 4.4% in July, continued macroeconomic uncertainties kept investors on their toes in August.

With this, the TSX Composite trades with 8.1% year-to-date losses as of writing. While traders tend to flee riskier assets when the stock market falls, I find it to be a rare opportunity for long-term investors to buy some quality dividend stocks. Before I highlight one of the best dividend stocks in Canada to buy now, let me explain why it could be the right time for investors to consider buying high-dividend-paying stocks.

Why it's the right time to invest in dividend stocks

It's important to note that metal mining and energy stocks make up a large part of the TSX Composite Index. That's why the commodity-heavy TSX index tends to outperform its peer indexes in the United States market when commodity prices start rising, and vice versa. Interestingly, most of the large, well-established companies from the oil and gas and mining sectors also reward their investors with high dividends in Canada.

As high inflation, rapidly rising interest rates, and a recent spike in geopolitical tensions have raised the possibility of a looming moderate recession in the last couple of months, investors have started dumping commodities, triggering a correction in crude oil and metals prices. This recent weakness in commodity prices has also led to a correction in some fundamentally healthy dividend-paying, commodity-related stocks.

As a company's dividend yield is linked to its stock price, yields of some high-dividend-paying stocks in Canada have sharply gone up lately. If long-term investors invest their hard-earned savings in such dividend stocks amid the ongoing correction, they have a rare chance to lock in a high dividend yield, which could help them earn reliable passive income as long as they want. That said, now let me quickly highlight one of the best Canadian dividend stocks I find worth considering right now.

The best Canadian dividend stock to buy now

The Canadian energy company **Enbridge** (TSX:ENB)(NYSE:ENB) could be one of such great dividend stocks for long-term Canadian investors to consider right now. The company has a market cap of $113.8 billion, as its stock trades at $55.86 per share as of writing, with about 13% year-to-date gains. Despite its strong fundamentals, the stock has seen nearly 6% value erosion in the last three months.

After struggling with the global pandemic-driven energy sector-wide challenges in 2020, Enbridge posted a solid financial recovery in 2021. Last year, Enbridge registered a 20.4% year-over-year (YoY) jump in its total revenue to $47.1 billion, while its adjusted earnings for the year rose by 13.2% to $2.74 per share. Street analysts predict the positive growth trend in the energy firm’s earnings to continue in the ongoing year with a more than 6% expected YoY growth in the full-year 2022. Moreover, after its recent stock price correction, this Enbridge currently has an attractive dividend yield of around 6.2%.

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