



## Better Buy: Enbridge Stock or Bank of Nova Scotia Stock?

### Description

Top [TSX](#) dividend stocks now offer yields above 6%. The market correction is giving [Tax-Free Savings Account \(TFSA\)](#) investors seeking passive income and [Registered Retirement Savings Plan \(RRSP\)](#) investors looking for attractive total returns a chance to buy solid Canadian dividend stocks at [undervalued](#) prices.

Let's take a look at two oversold stocks to see if one deserves to be on your buy list.

### Enbridge

**Enbridge** ([TSX:ENB](#)) raised its dividend by 3% for 2022. This extended the consecutive annual dividend-growth streak to 27 years, and investors should see steady payout increases continue in 2023 and beyond.

Enbridge has \$13 billion in secured grow developments on the go that should drive ongoing expansion in distributable cash flow to support dividend hikes. In addition, Enbridge continues to make small acquisitions in segments it sees as key to future revenue expansion in the coming years.

Enbridge just announced a deal to buy a solar and wind farm construction firm in the United States. Enbridge already has solar, wind, and geothermal assets and is keen to expand its renewable portfolio.

Another area of interest is the export of natural gas and oil to international buyers. The war in Ukraine is driving up demand for Canadian and U.S. energy, as countries look to replace Russian supply with other sources of fuel. Enbridge is taking a 30% stake in the \$5.1 billion Woodfibre liquified natural gas (LNG) facility being built in British Columbia. The deal could result in a \$2.5 billion expansion of one of the pipeline assets in the province. Last year, Enbridge purchased an oil export terminal in the United States for US\$3 billion.

In the earnings report for the second quarter (Q2) of 2022, Enbridge delivered adjusted earnings per share that were in line with Q2 2021 and said it is on track to meet its full-year financial guidance. Despite the solid performance and positive outlook, the stock is down considerably from the June high.

Enbridge trades near \$49 per share at the time writing compared to \$59 a few months ago. Investors who buy the stock at the current price can get a 6.9% dividend yield.

## Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#)) trades near \$64 per share at the time of writing compared to \$95 at the peak in early 2022. The huge pullback gives investors a chance to buy BNS stock at an attractive 7.7 times trailing 12-month earnings and lock in a 6.4% dividend yield. This is a good return from a Canadian bank, and investors with a buy-and-hold strategy should see decent total returns on the investment in the coming years.

Bank stocks are under pressure due to rising recession fears. The Bank of Canada and the U.S. Federal Reserve are raising interest rates in an effort to cool off the economy and drive down inflation to the 2% target. To meet the goal, some economic pain is expected, and economists are trying to figure out if there will be a short and mild recession or a deep and prolonged one.

At this point, savings remain elevated, and the jobs market continues to be robust. As long as there isn't a major spike in job losses and a big surge in unemployment, the economy should see a relatively soft landing. In the event things turn out to be worse than expected, Bank of Nova Scotia has the capital strength to ride out a downturn.

The board raised the dividend by 11% near the end of last year and hiked the payout by another 3% when the bank announced the fiscal Q2 2022 results. This would suggest the management team is comfortable with the earnings outlook, even considering the economic headwinds.

## Is one a better buy?

Enbridge and Bank of Nova Scotia pay attractive dividends that should continue to grow. The stocks look undervalued today and should both be solid picks for a TFSA or RRSP portfolio. TFSA investors seeking passive income might want to make Enbridge the first choice. Bank of Nova Scotia likely offers more upside on a rebound and should be a good pick for a self-directed RRSP.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

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