These 2 Dividend Payers Are Outpacing the TSX

Description

The TSX is down about 6% in 2022, but some of Canada's best dividend stocks are positive for the year and should continue to deliver solid returns in 2023. Here's why CNR and ENB stock are moving.

Enbridge

Enbridge (TSX:ENB) is up more than 7.5% this year at the time of writing. The solid performance has come with the rebound in energy markets.

Oil and natural gas demand continued to recover this year amid a rebound in economic activity, surging travel, and disruptions caused by the war in Ukraine. Enbridge isn't an oil or natural gas producer; it simply moves the commodities and fuels from production locations to storage sites, refineries, utilities, and export facilities and charges a fee for providing the services.

Across the vast oil pipeline network, Enbridge moves nearly a third of the oil produced in Canada and the United States. In addition, the company transports about 20% of the natural gas used by Americans. In Canada, the diversified energy player also has natural gas utilities that provide millions of homes and businesses with the essential fuel.

Building new large oil pipelines is difficult these days due to public and government opposition to the projects. This should make the existing infrastructure more valuable. Enbridge is focusing new investments on export opportunities, as well as renewable energy and the expansion of its natural gas infrastructure.

Enbridge acquired an oil export terminal and related pipelines for US$3 billion last year. The company also recently bought a 30% interest in a liquified natural gas (LNG) project in British Columbia. On the renewable energy side, Enbridge announced a deal to buy a renewable energy project developer in the United States.

Future opportunities in carbon capture and hydrogen are on the radar and Enbridge has the means to be a leader in these emerging segments.

Management just increased the dividend by 3.2%. This is the 28th consecutive annual increase. At the current share price near $53, the new payout provides a 6.65% dividend yield.

Canadian National Railway

CN (TSX:CNR) is up more than 11% in 2022. The stock currently trades near its 12-month high and should be a solid pick heading into 2023.

CN has a unique rail network that connects ports on three coasts. This gives it an advantage when domestic and international shippers are searching for options to move their cargo around Canada and through the United States.

CN reported record revenues and strong profits in Q3 2022. The company has managed to pass rising fuel costs through to customers. This is important in the current era of high inflation. The rail network moves commodities, cars, and finished goods. Demand for its services remains robust and should hold up well even if the economy goes through a recession in 2023 or 2024.

CN raised its dividend by 19% for 2022 and has a compound annual dividend growth rate of about 15% since the company went public in the mid-1990s.

The bottom line on top dividend stocks to buy today

Enbridge and CN are industry leaders with good track records on dividend growth. The stocks have outperformed the TSX in 2022 and should be solid picks for a balanced buy-and-hold retirement portfolio.

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