



## Enbridge Inc.: Is the Sell-Off Over?

### Description

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is catching a bit of a tailwind these days, and investors who have been sitting on the sidelines are wondering if this is the right time to step up and buy the stock.

Let's take a look at the pipeline giant to see if it deserves to be in your portfolio.

### New rally?

Shareholders hope the recent recovery in the stock will pick up steam after the rough ride over the past year. Enbridge remains down more than 10% over the past 12 months amid the pullback in the broader energy market.

The recent interest rate increases in Canada, along with previous moves in the United States, have also put some pressure on the stock, as investors fear an exodus out of pipelines, telecoms, and utilities could be on the way.

### Why?

These sectors tend to attract risk-averse yield seekers when interest rates are low. As rates begin to rise, the margin between GICs and dividend stocks begins to close, and there is a perception in the market that funds could shift into the fixed-income segment.

That's certainly possible, but rates have a long way to go before a GIC matches the yield that investors get from Enbridge.

### Dividend growth

Enbridge closed its \$37 billion acquisition of Spectra Energy earlier this year in a deal that created North America's largest energy infrastructure company. Spectra added significant gas assets to complement Enbridge's heavy focus on liquids pipelines.

The deal also provided a nice boost to the development portfolio, which continues to grow. In fact,

Enbridge has already added \$4 billion in new projects since the purchase closed, and now has about \$31 billion in near-term developments in the capital plan.

As the new assets are completed and go into service, Enbridge expects cash flow to increase enough to support dividend growth of at least 10% per year through 2024.

The dividend already provides a yield of 4.8%, so investors who buy now are looking at some solid returns, even if the stock doesn't appreciate much in the near term.

### **Should you buy?**

The recent bounce in Enbridge could mean the market simply got ahead of itself in anticipation of the impact of rate hikes. Oil's jump back above US\$50 per barrel is also helping.

If you have a buy-and-hold strategy and are looking for a reliable dividend stock to stick in your TFSA or RRSP, Enbridge deserves a closer look.

Another unexpected rate hike, or a renewed downturn in oil prices could put a quick lid on the rally, but I think any weakness in the stock should probably be viewed as a buying opportunity.

### **CATEGORY**

1. Energy Stocks
2. Investing

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