



## Enbridge Inc.: Should You Give Up on This Dividend Stock Now Yielding 6%?

### Description

**Enbridge Inc.** (TSX:ENB)([NYSE:ENB](#)) stock's move down seems unstoppable. Its shares have lost about quarter of their value during the past one year, following a 13% slide in the first six weeks of this year.

Dividend investors who have this top dividend payer in their portfolios are wondering if the worst is yet to come. Let's analyze the factors that are causing this plunge in the Enbridge's share value.

### Surging bond yields

Investors in North America are re-pricing their risks on the realization that the era of extremely low interest rates is coming to an end. Accelerating inflation in the U.S., the world's largest economy, has fueled speculations that the central banks will raise interest rates more than expected to keep inflation under control.

This development is bad for utility companies such as Enbridge for two reasons. First, climbing bond yields reduce the appeal of these stocks when compared to some safe-haven assets (government bonds).

Second, rising interest rates mean higher borrowing cost for corporate borrowers, especially those that rely heavily on the debt capital markets to fund their development budgets.

But despite these threats, I think [Enbridge's strength](#) in the sector remains intact. It operates the world's longest crude oil and liquids transportation system. The company is a leader in gathering, transportation, processing, and storage of natural gas in North America, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Following last year's acquisition of Spectra Energy, Enbridge now has a very active pipeline of projects that are expected to generate strong cash flows. Enbridge plans to bring \$22-billion worth of projects online in the next few years.

To address the market's worries about its ballooning debt, management has identified \$10 billion in non-core assets that it plans to sell to help cut its \$65 billion debt load. In 2018, it plans to sell \$3 billion in assets. The timing of such sales seems right when oil prices are showing some strength.

### **Will Enbridge stock bounce back?**

There is no doubt the past 12 months were tough for Enbridge and for its investors, but I think this setback is temporary, and any further pullback provides a good entry for long-term [dividend investors](#).

The company's annual dividend yield has reached over 6% at the time of writing — more than double what investors were getting in 2011. If you are seeking a stable dividend stock that regularly hikes its payout, then Enbridge is your best bet.

The company plans to grow its \$2.68-a-share yearly dividend by 10% each year through 2020. Trading at \$43.02 and with a forward P/E multiple of 18.5, Enbridge's valuation has become attractive after a 24% drop in its share price in the past 12 months. I think the stock offers a good bargain for long-term investors.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
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