3 Great Reasons to Buy Enbridge Inc. Today

Description

Enbridge Inc. (TSX:ENB)(NYSE:ENB) continues to fall in price, and the more it drops, the better of a buy it becomes. Your outlook on oil and gas these days depends a lot on whether you see the glass half full or half empty.

In one sense, oil and gas stocks have been struggling mightily over the past year, and with the Energy East pipeline being cancelled last year, and now the Trans Mountain dispute ongoing, it's easy to be concerned about the growth prospects for the industry. **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) even got good news that its Keystone XL pipeline would be approved, but not without a big caveat that would ultimately keep the stock at bay.

At the other end of the spectrum, optimists will point to the rise we've seen in oil prices over the past year and the hope that we might finally see some stability, as there are suggestions that a long-term supply agreement might be in the works.

I'm going to take the viewpoint of the optimist and show you three reasons why Enbridge is a great buy today.

Oil prices will continue to go up in the long term

Although oil prices have started to rally over the past year, we've seen them run up to a ceiling at ~$70, and the ability to run further north of that might be limited, at least for now. However, the demand for oil is not slowing down any time soon, and even the greenest of consumers will find it hard to completely avoid using the commodity in their day-to-day use.

The counter argument to that is that supply is rising at a higher rate and could go even higher if restrictions on output are lifted this year, and we might again be plagued with an excess supply of oil. However, that's not going to be the case, especially with Saudi Aramco likely to begin trading in 2019, and the powers in the Middle East will want it to be supported by a high price of oil. In the short term, there is a lot of range activity right now, but over the long haul I'd expect prices to continue to climb.

You'll be locking in a great dividend

The further that Enbridge's stock drops, the higher its dividend yield rises. After declining 30% in value in the past year, Enbridge now pays investors ~6.4%. The company also has a strong reputation for raising its payouts, and you can expect its dividend to grow in the years to come.

The stock is a great value buy

Enbridge currently trades at ~1.3 times its book value, and while it may not be trading at as big of a discount as **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE), it provides a lot more stability for its investors. **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) might be a better comparison to Enbridge, but with a smaller dividend and the stock being up the past year, there is a lot less potential for divided income and capital appreciation to be gained there.

Enbridge stock has been down for far too long, and investors would be wise to invest before the stock starts to rally.

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