Misunderstood Enbridge Inc. Cuts to the Heart of the Black Gold Rush

Description

Just when you thought it was safe to look away from the Canadian oil sands and write off the whole sector, here we are with a hot take on why the bolder among you may want to reconsider. Among rumours of a coming black gold rush, take a look at one of the stocks that will emerge as a key player, the heavy-hitting, middle-man gas-distribution company, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB).

Come for the dividends, stay for the assets

Using a word like embattled for a company like Enbridge may seem a little reactionary, but there are definitely a couple of reasons why a casual investor might skip over this major league natural resources player in favour of less volatile securities options.

A high debt load (to the tune of +$60 billion) plus falling stock prices have seen more cautious investors staying away of late. But it is for precisely these reasons that the contrarian investor might look to Enbridge for a high-octane stock, underpinned by assets that are effectively evergreen in the energy sector.

Crude oil is massive in Canada, and if it's not already in your portfolio, then it should be; what Enbridge offers in this sector is a stable natural energy stock that will see future rises in dividends, with even more benefits once the market restabilizes.

Why zig when others zag?

This isn't the place to explain contrarian investment, but in this case we will take a minute to show why the current economic environment is ripe for this method.

What we are looking at with Canadian oil is an economy that is being massaged a little too roughly by our pals south of the border; this is causing some folks to ditch their stock in natural resources—namely, oil sands–before they lose any more value. While that may make sense to your typical cautious investor, this signifies the right time to jump aboard if you want a hardy stock that will pick up once wiser heads take control, possibly as soon as the November primaries.

That's right—the oil sands situation is going to follow U.S. politics like one foot following the other. You may want to take a look at these two safe options if you want to dip your toes in the coming black gold rush; otherwise, read on to see why Enbridge may be more fun to play.

When to fold and when to hold

Forget the headlines about Enbridge's dividends fears; forget the debt it's holding and look instead at how well placed it is to ride the black gold rush: Enbridge holds assets that cover its debt, and management has promised to grow its dividend payout by 10% over the next three years.

But more than that, focus on the fact that Enbridge is a *distributer* of fuel (it owns and operates the longest oil network in North America), and as such it's potentially more stable and better placed in the oil sands sector that a fuel producer. This makes Enbridge a fairly safe bet when it comes to natural resources.

Concerned about threats to their proposed expansion of pipelines? Don't be—even if Enbridge doesn't get its Line 3 replacement (and it looks as though it will), the network will still be solid without it.

The bottom line

Stick with Enbridge for steady increases in dividends as a long-term investment, or sell high when the black gold rush reaches fever pitch to ride the rapids, contrarian style (or you could play faster and harder with volatile oil prices). Just make sure you time it right—and for that, keep an eye on what happens next in terms of trade and pipelines.

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