2 Reasons That Make Enbridge Inc. (TSX:ENB) Stock a Top Buy

Description

North America's largest pipeline operator, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), has had a great run after the December plunge. It shares surged about 25% since Dec. 24 dip, showing a remarkable strength after the disappointing performance in 2018.

But this latest rally is losing momentum during the past two days after Enbridge announced that its crucial Line 3 expansion project will be delayed for a year, depriving the company of moving 370,000 barrels of crude out of Alberta. This delay comes at a time when this province is restricting supplies amid acute pipeline shortages.

The news sent Enbridge shares down more than 6%, making investors nervous, as they had already included the projected cash flows from this expansion into the company's earnings for this year.

But this short-term setback opens a window for investors who were waiting on the sidelines to buy this top dividend stock. With the company's dominant position in North America's energy infrastructure, it's not a bad idea to keep Enbridge in your income portfolio. Here are the two top reasons that make Enbridge a buy after its recent dip.

Weakening case for higher interest rates

Enbridge and dividend stocks, in general, remained under the selling pressure in 2018, pressured by Bank of Canada's five rate hikes. Increasing rates diminish the appeal for dividend stocks and investors move their funds to relatively safe government bonds.

But the latest reports from the economic front suggest that it will be tough for the Bank of Canada to continue with this policy in 2019. The central bank acknowledged the same yesterday when it kept its policy rate unchanged and warned about a deeper slowdown in Canada.

Enbridge is a good defensive stock

Enbridge is a good defensive stock to hold on to when the economic headwinds are gathering pace. The company pays $0.73 a share quarterly dividend with an annual dividend yield of 6.33%. The payout has been expected to rise 10% per year.

Even with some temporary hurdles, Enbridge will be able to finish its development projects, including the Line 3 expansion. Over the past one year, Enbridge has also accelerated its restructuring plan, selling assets, focusing on its core strengths, and paying down its debt. These measures are likely to benefit long-term investors whose aim is to earn steadily growing income.

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