



Production Cuts to Stay: Why Enbridge (TSX:ENB) Could Start Picking up Steam

Description

The oil and gas industry might finally be seeing some much-needed stability. And that's great news for a company like **Enbridge Inc** ([TSX:ENB](#))([NYSE:ENB](#)) that has seen anything but consistency in its share price over the past few years.

By October, we'll have a clearer picture of the political climate in Canada and how much support the industry is likely to get from the government. If oil prices continue to remain stable, that will give investors even more reason to start buying up shares of Enbridge and other oil and gas stocks.

While we don't know how the federal election results will play out, the good news is that commodity prices have started to stabilize lately and there's reason to believe we won't see big fluctuations anytime soon. Since April, we've seen the price for West Texas Intermediate stay [strong](#) at around \$60 a barrel, and as long we don't see OPEC fiddling with output restrictions, it's a price point that could prove to be stable.

Why we might see production cuts remain in place

With the current round of cuts in place set to expire soon, all eyes have been on OPEC and what it will do for a meeting it has scheduled late in June. Early indications are that cuts may very well remain in place and that OPEC is still looking to continue reducing inventories.

Recently, the Saudi Arabian Energy Minister Khalid al-Falih expressed concern over the current situation, saying, "It is critical that we don't make hasty decisions – given the conflicting data, the complexity involved, and the evolving situation." He referred to the market as being fragile, and given the volatility we've seen over the past few years, it's an accurate assessment.

However, if production cuts remain intact, that could go a long way in keeping prices stable. If investors are comfortable with the price of oil and can feel comfortable knowing that there won't be any significant shocks pulling it down, it could be enough to convince them to invest in oil and gas stocks again.

Oil and gas stocks will benefit from stability

Enbridge is one stock that investors should keep an eye on. The company is coming off a [very strong Q1](#) that saw its profits continue to soar. However, that still wasn't enough to get investors excited about the stock. Although Enbridge has recently been able to break through the \$50 mark, it has still run into some strong resistance, preventing it from climbing any further.

Unfortunately, due to the industry, even the company's own strong performance is not enough to generate a rally. Many investors have gotten burned from owning oil and gas stocks over the past five years and, like producers, are still more than a little hesitant to trust the industry again.

Enbridge has shown that it is resilient enough to produce strong results even during challenging market conditions. And with the stock paying more than 5% in dividends, it may not be a bad idea to stake out a position now, before the stock takes off, which could happen as the markets start showing more signs of stabilizing.

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