Why I’d Be Selling Enbridge Stock Today

Description

Enbridge Inc (TSX:ENB)(NYSE:ENB) stock has had a rough couple of years, often finding it difficult to generate much positive momentum. Unfortunately, things may not get better anytime soon.

While oil prices have looked to have been a bit more stable this year with Western Canada Select staying at over US$40/barrel for much of 0f 2019, that hasn’t been enough to convince investors that Canadian oil and gas stocks are safe investments.

Time and time again, the problem has come back to politics and the challenges that the industry faces in being able to convert investment dollars into tangible results.

Unfortunately, things may have gotten a whole lot worse for the industry with Monday’s election results. News that the conservatives failed to regain power in the country could mean more of the same for the industry for the foreseeable future.

Why oil and gas stocks could continue to face a lot of adversity

Without a more oil and gas-friendly government in place, it’s going to remain a big challenge for investors to hold out hope that anything will change for the industry, which makes a stock like Enbridge vulnerable. Not only will there continue to be less investment in the industry, but it could make existing investors in the industry much more bearish.

A change in power was one way that the industry could have been injected with a lot more optimism. With that possibility now gone, there may be little reason to believe that conditions will get any better and that Enbridge and its peers will be able to produce strong returns here on out.

Although Enbridge is still a very well-run company today, the reality is that it’s going to be impacted by not just oil prices, but also by how well other companies in the industry are doing. With a lot of uncertainty facing oil and gas stocks today, the outlook for that certainly looks questionable at best.

Is the dividend enough of a reason for investors to stick around?

The one saving grace for Enbridge investors is that company's high dividend could still be enough to help generate some good returns. However, the danger is that if Enbridge shares fall, the dividend will only serve to offset some of those losses.

Without a light at the end of the tunnel, Enbridge may be tempted to cut its payouts. Free cash flow of $2.1 billion over the past four quarters has been impressive, but it's been well shy of the dividends that the company has paid out during that time, which has totalled $5.3 billion.

Bottom line

A dividend should never be the sole reason to invest in a company; unfortunately, that's the main reason I could see Enbridge being a buy today. But without a positive outlook for the future, it's hard to justify holding shares of a company that might be facing some very serious headwinds.

Barring some major development that could turn things around for the industry, there's simply not enough of a reason to make Enbridge a buy, or even a hold at this time. I

Investors may be better off selling their shares today and waiting for some positive developments in the industry before investing in Enbridge again.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/02
Date Created
2019/10/25
Author
djagielski