



Why the Enbridge (TSX:ENB) Stock Price Rose 4.2% in January

Description

In the energy sector, it has been mostly doom and gloom for what seems like a really long time. [Recent months, however, seem to suggest that 2020 could be a very strong year for an embattled sector that appears to be engaged in a slow death process.](#)

As a case in point, let's look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) stock price, which has risen 19% from its July 2019 lows and continues to rise in 2020. Let's look at why Enbridge rose 4.2% in January of 2020 and what this means for investors.

Reviewing the performance of even our most defensive holdings, such as Enbridge, is an important exercise. Staying tuned in to short-term stock price movements can alert us to changes in the investment thesis and to stock mispricings that we can take advantage of for investments.

In the case of Enbridge stock, this stock remains weighed down by sector woes, but, in my view, investors are increasingly taking note of the value here and the potential upside.

Let's take a look at why Enbridge stock price rose again in January.

Enbridge stock price rallies as sentiment around pipelines improves

In January, we saw a [continued improvement in sentiment around pipelines as well as continued progress in the approval process](#) of major expansion projects such as Enbridge's Line 3 Replacement expansion.

This all culminated in early February with the announcement that the Minnesota Public Utilities Commission approved and accepted Enbridge's revised Final Environmental Impact Statement. The next step will be to finalize the permits needed to begin construction.

Further, there has been good news in terms of pipeline regulatory approvals in general. The last

remaining legal challenge to Trans Mountain pipeline was recently dismissed at the Federal Court of Appeal, and the Keystone XL pipeline has received a right of way approval by the U.S. government, allowing the pipeline to be built across U.S. lands. All of these positive decisions have gotten investors' attention.

Enbridge stock price rallies as investors take notice of strong and growing cash flows

The positive news regarding the company's major pipeline expansion has brought investor attention to the huge sums of cash flow that Enbridge is generating.

It's also brought investor attention to the fact that this cash flow generation profile will accelerate at an impressive pace after the expansion is up and running.

With the estimated in-service date difficult to pin down, it *is* approaching — and once the pipeline is up and running, it will have a significant positive impact on Enbridge's cash flow generation.

Foolish bottom line

In closing, I would like to remind foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth.

Blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

In the case of Enbridge stock, adding to positions in this improving environment is the right move in my view.

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