Enbridge (TSX:ENB) Stock Just Hit a Massive Buy Signal

Description

Enbridge (TSX:ENB)(NYSE:ENB) stock was on the road to recovery, with meaningful progress navigating regulatory hurdles, until the coronavirus (COVID-19) gripped this market, sending shares of the pipeline kingpin crashing over 40%. Enbridge shares currently sport a bountiful 9%-yielding dividend, which I believe to be safe, even after oil's latest implosion that followed the collapse of OPEC+ and the demand shock caused by COVID-19.

Indeed, Enbridge and many other midstream energy players are feeling a considerable amount of pressure at this juncture. After the stock's violent decline, I not only see compelling value in Enbridge, whose long-term story is still intact, but I also see Enbridge is one of the timelier plays on the TSX Index.

Enbridge stock: Fundamentally and technically sound

While we're more about the fundamentals than the technicals here at the Motley Fool Canada, I think the technicals can act as a nice supplement to one's fundamental analysis. After you've done your fundamental analysis, the technicals can serve as a confirmation in this falling knife of a market. And whenever the fundamentals and technicals are both flashing green, you may have a timely opportunity on your hands.

Enbridge stock is currently sitting at multi-year lows and appears to be holding onto a key level of support at around $38. Moreover, insiders have been picking up shares on the way down, and a handful of analysts, including Jefferies, have upgraded Enbridge to buy ratings after its coronavirus-driven fall.

With a 9% yield, Enbridge's dividend is undoubtedly under pressure, but it's a lot safer than meets the eye. As you may know, the pipelines are less sensitive to sudden fluctuations in oil or gas prices. But whenever there's a double-shock crash before the last crash recovered, you're going to see the less-oil-price-sensitive names start feeling the heat.

Sure, the price of oil doesn't matter as much to Enbridge as it does to a producer. But whenever you have an environment that could see the demise of many players in the oil patch, the pipelines are going to start having less business and fewer cash flows to return to its shareholders.

A dividend promise kept

As one of the most shareholder-friendly companies on the planet, Enbridge is committed to keeping its dividend-growth promise to investors: a handsome dividend that's subject to grow by at least 10% per year. Management is willing to go to far lengths to keep its dividend promise. They're more than willing to pull several levers to relieve its financial pressures rather than taking the simple road of cutting or reducing the dividend. It's clear that for Enbridge, a dividend cut is the absolute last resort.

And with the lights dimming on the oil patch, many fear that this last resort may be nigh. Fortunately, Enbridge has reliable cash flows from its regulated assets, which will help buoy Enbridge stock and allow it to keep its dividend safe in a "lower oil for longer" environment. Moreover, many fail to mention that Enbridge has been shuffling its operations in the years following the initial 2014 plunge in oil prices to better adapt to the challenging environment.

The company made moves to relieve financial pressures without cutting its dividend or disposing of many of its most-prized assets. Enbridge has top-tier assets in the midstream space, and as the pipeline kingpin continues passing over the regulatory hurdles, I see Enbridge as one of the best Canadian energy stocks to buy right now.

Foolish takeaway on Enbridge stock

I can't think of a timelier opportunity in the market today.

Enbridge stock is dirt cheap, insiders are buying, the technicals look sound, the dividend isn't going anywhere anytime soon, and the long-term fundamental story is still very much intact. As such, I'd lock in the 9% yield now and collect it while you patiently wait for the tides to turn back in the pipeline kingpin's favour.

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