Market Crash: Time to Buy Enbridge (TSX:ENB)?

Description

The recent market crash has sent some stocks tumbling drastically lower. Even many blue-chip stocks were recently trading at levels not witnessed in a decade or longer.

So, long-term investors have been licking their chops at the prospects of buying cheap, high-quality stocks. With prices so low, huge upside exists in the share price for many Canadian blue-chip stocks.

However, some stocks aren't simply being dragged down with the rest of the market. That is, some stocks are seeing material changes to their businesses that happen to be occurring in lock-step with the broader market crash.

It's important to avoid those stocks, as there are plenty of other interesting investment opportunities available carrying less risk.

Today, we'll take a look at one top **TSX** stock that has been falling with the market crash. But, that might also be in trouble for other reasons beyond the pandemic.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a household name for Canadian investors. It is a premier blue-chip stock with an ever reliable and growing dividend.

Enbridge operates major pipelines across North America, essentially acting as a toll road for the transport of oil. The company has a great track record of providing dividend growth to its investors, as it usually hikes the dividend by about 4-6% annually.

As of writing, Enbridge is trading at $40.73 and yielding about 8%. This figure far exceeds the five-year average dividend yield of 4.80%.

Market crash, or something more?

While the prospects of an outsized yield should excite investors, Enbridge may be dealing with major issues beyond the general turmoil ailing the broader market.

Aside from the market crash, Saudi Arabia has been ratcheting up production of oil for weeks now and the price of a barrel has plummeted. For many Canadian producers, oil is trading at breakeven prices, or even below that level for some.

Now, you may be thinking that Enbridge should be resilient against drops in the oil price as they simply *move* commodities rather than produce and sell them. We've even see historically that temporary drops in the price haven't effected Enbridge's share price or cash flow.

However, if prices persist for too long at these low levels, some producers may be forced to permanently shut down. If there are fewer producers, there will be less product. In turn, less product means less business for Enbridge.

The potential for Enbridge to lose some business is very real. So, this sort of risk must be taken into account when making an investment decision.

Market crash strategy

In a market crash, there are opportunities abound for long-term investors with extra cash. One nearly sure-fire way to profit is buying deeply discounted blue-chip stocks.

However, investors must be leery of businesses with underlying issues beyond the global pandemic effecting stocks on a broader scale.

Enbridge is one such stock facing challenges due to Saudi Arabia tanking the price of oil. If enough Canadian producers are forced to unfortunately close up shop, Enbridge is going to lose major traffic.

This could spell trouble for Enbridge, and especially its dividend. Investors may therefore be better off looking elsewhere for now as plenty of other quality blue-chip stocks are on sale due to the market crash, without the added risk of a turbulent oil market.

Over time, Enbridge is likely to bounce back strong. However, there are simply safer ways to ride out the market crash at this time.

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