Warren Buffett: Is Another Stock Market Crash Coming?

Description

If there's an indication that there could be another stock market crash coming, it would be the cash pile at Warren Buffett's **Berkshire Hathaway**. Specifically, at the end of the first quarter, the company's cash and cash equivalents and short-term investments in U.S. Treasury Bills totalled US$137 billion.

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In comparison, Berkshire ended 2007 — right before the last great recession and market crash — with a cash pile of US$44 billion.

At the very least, Berkshire's cash pile suggests that there's nothing good enough to buy. That is, nothing that's quality enough that's priced at the right valuation. Well, almost nothing.

As I wrote earlier this week, Berkshire finally made a big move. In an all-cash deal worth US$9.7 billion, it's buying gas transmission and storage assets from **Dominion Energy**. Berkshire used up approximately 7% of its cash pile, which is meaningful.

Warren Buffett is likely after the cash flow predictability the gas infrastructure assets bring, especially at today's low valuation. Note that the nearly US$10 billion deal includes US$5.7 billion of debt. Since debt is cheap with interest rates at historic lows, Berkshire will have no problem managing that debt.

Get big dividends from your own gas infrastructure assets

Warren Buffett's big move indicates that gas infrastructure could be a good place to be invested in right now. Between the large-cap energy infrastructure leaders, **Enbridge** (TSX:ENB)(NYSE:ENB) and **TC Energy** (TSX:TRP)(NYSE:TRP), the latter has a bigger proportion of its business in gas infrastructure assets.

Specifically, about 68% of TC Energy's 2019 comparable EBITDA came from its gas infrastructure operations versus Enbridge's 40% on a consolidated EBITDA basis today.

In any case, both stocks have declined meaningfully this year. Enbridge stock is down 27% from its high, while TC Energy stock is down about 25%. They have become attractive income stocks priced at a value offering yields of 8.1% and 5.8%, respectively.

Low interest rates make big yield stocks like Enbridge and TC Energy more compelling income investments.

Recent results: Is Enbridge stock or TC Energy a better buy?

Both companies reported stable first-quarter results.

Year over year, Enbridge's adjusted EBITDA essentially remained flat at under $3.8 billion, while its adjusted earnings per share increased by 2% to $0.83. It reported distributable cash flow that was down 2% to $2.7 billion. Based on earnings, ENB stock's payout ratio was 98%. Based on the distributable cash flow, which is a more fitting metric to use to determine its dividend safety, its payout ratio was 64%.

For the same period, TC Energy's comparable EBITDA climbed 6% to $2.5 billion, while its comparable earnings per share rose 10% to $1.18. Based on earnings, TC Energy stock's payout ratio was 69%.

Given that TC Energy has a lower payout ratio and the market commands a higher yield from Enbridge, the investment community suggests TC Energy is a lower risk investment.

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Analysts have an average 12-month price target of $51.20 for Enbridge, which suggests more than 27% near-term upside potential from roughly $40 per share. Analysts' near-term price target for TC Energy implies 28% 12-month upside potential from below $56 per share. Thus, higher-risk Enbridge offers slightly higher returns potential — prospects of roughly 36% 12-month total returns versus TC Energy's nearly 34%.

Foolish takeaway

A high unemployment rate, record spikes in COVID-19 cases in certain geographies, high debt levels, protests, and the looming U.S. presidential election in November can weigh down or add uncertainty that could lead to another stock market crash.

If you've got lots of cash sitting on the sidelines, it may serve you well to consider buying some Enbridge or TC Energy shares to get robust income while waiting.

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