Why Enbridge (TSX:ENB) Stock Is More Defensive Than It Looks

Description

The markets are awash with uncertainty today. It might not look that way, though, given the vaccine hopes. However, equities can turn on a dime, and defensive investing is looking like a smart move.

Market leaders make for defensive stocks, even if their individual sectors might not be classically low-risk. However, the stock that we're gong to look at today may be deceptively defensive in more ways than one. Let's take a look at the reasons to buy.

Why buy defensive stocks right now?

Just when you thought the news out of the U.S. couldn't get any more dramatic, along comes another curve ball. The Federal Reserve stated that pandemic emergency facilities should be maintained. However, Treasury Secretary Steven Mnuchin has overruled that request this week.

It was exactly the sort of move that should have spooked investors. But sometimes it takes a while for the news cycle to get around to these types of moves. Stock exchanges could potentially flip over into panic mode if investors sense more economic hardship on the way. The stock market crash that some analysts have been predicting could be triggered by far less.

All of this makes stable, dependable companies attractive buys today. **Enbridge** (TSX:ENB)(NYSE:ENB) stands out for a couple of reasons. From a better-than-expected near-term oil thesis to a long-term clean energy thesis, Enbridge is surprisingly versatile.

A top TSX stock for dividend investing

Enbridge can also boast a wide economic moat that's practically unassailable. The position that Enbridge commands as a midstreamer makes it a rare defensive pick in the hydrocarbons space. Enbridge is also a famously large-cap company. That in itself adds weight to a buy thesis designed around long-range investing in low maintenance picks.

Defensive investors should also note that Enbridge is a major player in the field of energy infrastructure. This space may seem generic at first glance, but it's actually highly specialized. And both energy itself and infrastructure generally are classically defensive.

The pipeline angle hasn't been mentioned here for a couple of reasons, and not all of them are ideological. It's already well known that the hydrocarbon space is facing some stiff headwinds. From the rise of green energy to the progressive movement, anything to do with oil, gas, and coal is undergoing a sea change.

But these are still major industries. With the Western world facing a prolonged recession, uprooting whole sectors could be a problematic prospect. Indeed, a profound shift in energy usage could be longer coming than it looked before the pandemic. In the short to mid-term, at least, Enbridge therefore still has much to gain from pipeline breakthroughs.

Energy stocks belong in every diversified portfolio, Tax-Free Savings Account (TFSA), and RRSP. They provide much-needed backbone to a mix of other asset types. In the current economic climate, energy stocks also pack comeback potential.

With industrial activity down in 2020, electricity prices have fallen. This phenomenon blindsided energy investors. However, its reversal upon an economic recovery will likely be a tide to lift all ships, including Enbridge.

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