



Enbridge Stock Is the Best Way to Defend Against a Market Crash

Description

The TSX is filled with some great defensive stocks right now. Picking the best can be a difficult task. That said, I'm going to discuss why I think **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is one of the best options for Canadian investors in this regard.

Enbridge is as defensive as it can be in the energy sector

The energy sector is one I think is likely to continue to underwhelm investors for some time. This is partly due to the fact that stock prices in the energy sector are, in many ways, espoused to commodity prices. Accordingly, the real value in owning Enbridge is the diversification this stock provides alongside low correlation to commodity prices.

In Enbridge's case, the company earns its revenue primarily through long-term volume contracts with high-quality counterparts. This means that Enbridge gets paid its previously negotiated fee, regardless of what the price of oil does. Of course, production declines due to oil being uneconomical to produce was a headwind when the price of oil was doing crazy things. With oil prices appearing to have stabilized somewhat, these issues look like they're out of the way for now.

Dividend and value stocks are poised for a rebound

Value stocks have had a rough go of it over the past decade. That said, I think 2021 is shaping up to be a rebound year for value-oriented equities. The stars are aligning on a lot of fronts in this regard, and Enbridge could turn out to be one of the winners in a bull market in value.

Fellow fool contributor Joey Frenette commented in a [recent piece](#): “While only time will tell if 2021 will be a kinder year for dividend stocks, I certainly think that the risk/reward is far greater at these levels versus the likes of the pandemic-resilient tech stocks that were among the biggest winners of last year. Enbridge sports a massive 7.9%-yielding dividend, which, as I described in many previous pieces, is far safer than it seems, given management’s shareholder-friendly nature and medium-term catalysts that are likely to overcome obstacles in due time.”

I definitely agree with this sentiment. I think that Enbridge’s abnormally high yield is sustainable. The company has the right tools and strategies in place to manage its capital-funding needs. Furthermore, I think Enbridge’s stable cash flows are likely to support a rebound in its share price consistent with, or exceeding, other value stocks. Trading at less than nine times forward cash flows, Enbridge’s yield is unreasonably high. I think this stock should yield somewhere in the 5% range, implying upside of over 50% from these levels.

CATEGORY

1. Dividend Stocks
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1. dividend
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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