Enbridge: When Momentum, Value and Passive Income Meet

Description

There's a new class of momentum stocks in town. Not the high-multiple growth names with no profits and nothing but inspiring growth stories to go by. These are the good, old-fashioned value plays that we've all forgotten about amid the past few years' worth of speculative euphoria. Indeed, ignoring valuation was a winning strategy in 2020 and the early innings of 2021. In late 2021? Not so much, as those who extended themselves too far with the "growth at any price" mindset ultimately ended up paying a harsh penalty.

Cathie Wood's ARK funds were all the rage in 2020. The incredible performance of her fund was enviable in 2020. When the page turned on 2021, so too did the fortunes of her flagship **ARK Innovation Fund**, which is currently down around 50% from its peak. When does the pain end? Nobody knows. While Wood may be doubling down on her aggressive strategy, I'd argue that now's a great time to stay diversified with a good mix of profitable growth and cheap value stocks that remain cheap, even after the recent bouts of rotation we've witnessed over the past year.

Move over, tech and growth stocks. Unloved value is making a comeback!

So, rather than chasing unprofitability and promises of growth with companies that could continue to nosedive if the Fed hikes rates by five (or more) times this year, consider taking a page out of Warren Buffett's playbook. Seek to purchase shares of wonderful businesses at fair prices!

In this market, there are many magnificent value plays with considerable momentum behind them. I'd argue that such momentum is likely to continue, given their ever-improving fundamentals and the likelihood that their price-to-earnings (P/E) multiples could compress, even as shares rise. In essence, it's as though such plays get cheaper as they rise.

Consider **Enbridge** (TSX:ENB)(NYSE:ENB). The pipeline king that returned 19% over the past year. Currently, the dividend yield sits at a remarkable 6.6%.

Enbridge

Enbridge is the midstream dividend darling that many of us know and love. The firm used to be the to-go place on the TSX Index to have your cake and eat it, too, in the form of capital gains and a huge upfront yield. After enduring a rough past six years from a weak energy price environment and the occasional regulatory setback, things are finally starting to look up. And the stock is showing signs that the darling is ready to return to its former glory. And with that, new highs.

The stock is off around 20% from its all-time high hit back in the spring of 2015. With booming energy prices and a stock that looks to be breaking out past its downtrend, it's hard to be anything but bullish on the name. The stock is up nearly 50% from its multi-year lows, and it doesn't look to be going back. Not with oil potentially poised to test US$100 in 2022. At 18.4 times trailing earnings, ENB stock still doesn't get respect. But as the value trade shines further, look for the name to continue marching higher.

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