Why Enbridge Stock Is a Fantastic Investment in a Recession

Description

Throughout the year, the risk of a recession has increased mightily. We still don't know how bad it will be, and many analysts and economists are still hoping for a minor recession and soft landing, but there are certainly strong signs economic growth with slow significantly, which is why owning reliable stocks like **Enbridge** (TSX:ENB) is so important.

Inflation is still high, and the economy is still strong. Last week, it was strong jobs numbers showing the economy is still hot and increasing the chances of more interest rate increases.

And the faster interest rates are increased, the higher the chance of a recession. Therefore, it's crucial to own defensive businesses in this environment.

As inflation continues to impact consumers' budgets and unemployment rises, should we hit a recession, naturally, consumption will slow. And, therefore, unsurprisingly, companies that sell discretionary goods or services will also likely see the biggest impact on their business.

For example, Canadians are far more likely to cut back on vacations, eating out, or buying new clothes than they are to stop buying groceries or paying their rent and utility bills.

So, while these highly defensive companies like Enbridge won't be immune from impacts during a recession, they will be impacted far less than discretionary businesses.

Furthermore, many defensive stocks like Enbridge have highly reliable operations, which is usually why they're so defensive in the first place.

Enbridge's operations are key to weathering a recession

In Enbridge's case, the company is so large and has such a diversified portfolio of assets that it's a stock you can buy with confidence.

The company's pipelines are responsible for transporting roughly 30% of the crude oil produced in

North America. That’s a massive share of the market and makes Enbridge essential to the entire North American economy. Furthermore, it also transports roughly 20% of all the gas consumed in the United States.

In addition, it has a significant utility business and lately has been heavily investing in growing its green energy segment.

This portfolio of energy infrastructure businesses, in addition to making Enbridge essential, also helps to reduce risk due to its diversification.

Plus, it’s also worth noting that many of the businesses Enbridge owns have long-life assets, which is why the stock is a major cash cow and can consistently increase the dividend each year while simultaneously allocating capital for growth.

Enbridge stock offers a growing dividend and has pulled back from its highs

Enbridge is a high-quality and reliable stock to own, particularly in this environment. However, another major reason to buy the stock today is due to the fact you can get it on sale, and its dividend offers a yield of 6.9%.

That dividend yield has climbed from just 6% at the end of March thanks to the selloff in Enbridge shares. With the stock trading nearly 17% off its high and now offering a much more compelling dividend yield, Enbridge is one of the best stocks to buy today.

Furthermore, on top of the fact that Enbridge offers a yield of 6.9%, it’s also increased that dividend every year for over a quarter of a century. That’s not just a compelling reason to buy for the future, it also shows how well Enbridge has weathered past recessions.

Therefore, if you’re looking for a high-quality and reliable stock that you can have confidence holding through a recession, Enbridge and its growing dividend make it one of the best investments you can buy today.

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Date
2025/07/21
Date Created
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