Did This 1 Piece of Stock Market News Escape Canadian Investors?

Description

There's a lot going on in the stock markets at the moment. From sudden momentum in value stocks to new themes emerging in U.S. politics, the Canadian investor may feel that they are picking their way across a minefield. It's easy, therefore, for some themes to go under the radar. Let's explore one of them and look at a way to adjust a portfolio accordingly.

This master investor is worried about the market

It's been a while since any of the major luminaries of the investment world weighed in on the prospects of the new year. A couple of weeks of 2021 went by without a fresh thesis. The U.S. presidential inauguration came and went without a hot, new take. But then Ray Dalio beat his prognosticating peers to the punch. Releasing a salvo of Tweets last weekend, Dalio built on a premonition of what he has called a "terrible civil war."

Has the Bridgewater founder turned bearish on the economy? Not quite. But Dalio clearly foresees a socioeconomic sea change as being imminent. The hedge fund billionaire Tweeted, "Good words and spirit aren't enough. People will have to agree on both how to grow the pie and how to divide it well. That will require revolutionary change." In essence, a bull market, Dalio argues, hinges to a large extent on reducing wealth inequality.

Head off stock market fears with this simple play

Facing volatility, Canadian investors may wish to balance a stock portfolio by using the barbell strategy. This makes use of both near-term growth and long-term stability. By balancing both ends of the figurative "barbell," investors can reduce risk while ultimately increasing the returns in an equities portfolio. For instance, generally higher-risk shareholders may wish to counterbalance such investments by stashing shares in **Enbridge** (TSX:ENB)(NYSE:ENB).

Recent pipeline snarl-ups mean less to Enbridge than to some other operators. For one thing, even its Line 5 is operational, rather than simply proposed. As such, Enbridge remains a wide-moat pick that straddles the comprehensive Mainline network of established fuel lines. This is also a rich dividend stock, yielding 7.5%. With annual 50% earnings growth estimated, Enbridge is a solid play in an essential industry that adds backbone to the Canadian economy.

Dalio's concerns about the socioeconomic landscape in the U.S. don't necessarily map quite as neatly onto Canada. But the potential for further upheaval south of the border nevertheless suggests that Canadians may want to ease off on their exposure to our most significant trading partner. Energy infrastructure is one of Canada's go-to investment areas and offers a suitable alternative. While it might not be a growth sector, its combination of stability and dividends have timeless appeal.

Getting out of cyclical stocks is a good way to reduce exposure to market volatility. One way to do this is to lean into non-cyclicals such as Enbridge. Investors have been staying away from pipeline stocks this week, with Enbridge accordingly down by a couple of percentage points. But if this continues, contrarian investors will have multiple chances to build a position in this wide-moat stock at lower outlay.

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