2 Top Energy Stocks I'd Buy Now to Boost My TFSA Income

Description

It's risky to have energy stocks in a portfolio aimed at earning stable income. The volatile nature of energy market usually doesn't fit well with this strategy. Many investors have yet to recover from the downturn that started in mid-2014 and wiped out years of their savings.

Despite my bias against the energy sector, it's hard to ignore some of the top-performing companies that have done exceptionally well and used this cyclical downturn in energy markets as an opportunity to create the long-term value for their shareholders.

Here are my two top energy stocks you could consider adding to the portfolio you're managing through your Tax-Free Savings Account (TFSA).

TransCanada

Among Canada's top energy companies, **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) runs a very profitable diversified businesses, consisting of natural gas and liquids pipelines, power generation, and gas-storage facilities in North America.

These businesses produce hefty cash flows, which help TransCanada pay a regular and growing dividend to shareholders. In its fourth-quarter earnings report last week, TransCanada showed the strength of its operations.

The company's profit, excluding some items, rose $0.82 a share, exceeding analysts' average estimate of $0.75, helped by higher volumes on the existing Keystone system and the start of operations on its Grand Rapids and Northern Courier lines.

With this earning announcement, TransCanada also boosted its quarterly dividend by 10.4% to $0.69 a share. The quarterly amount is equivalent to $2.76 per common share on an annualized basis. The dividend hike represented the 18th consecutive year when the delivered a raise in payouts.

With assets that generate stable cash flows each quarter, TransCanada shares offer a good opportunity to buy-and-hold TFSA investors. Trading at $57.52, and with an annual dividend yield of 4.8%, TransCanada is a safe investment for long-term investors.

Suncor

Another solid energy stock that suits income investors is **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), Canada's largest oil sands producer. Just like TransCanada, the company also runs a very diversified operation, which helps it to perform better in any oil market downturn.

The company not only holds the largest reserves in the oil sands, but it also owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

As oil prices recover, Suncor is in a much better position to produce more cash from its diversified operations than a pure oil producer. During the past five years, Suncor's cost to dig a barrel of crude oil has fallen to $23.80 in 2017 from $37 in 2013, representing the lowest level achieved in more than a decade.

Suncor is also a solid dividend-growth stock. This month, the company hiked its quarterly dividend by 12.5% to $0.36 per share, marking the 16th year of consecutive annualized dividend increases. Trading at $42.92 and with an annual dividend yield of 3.36%, Suncor has all the ingredients to be a good long-term investment for your TFSA.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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