



2 Top Energy Stocks to Buy and Hold for the Next Decade

Description

I can't predict the direction of energy markets. In fact, no one can. But that doesn't mean that we should avoid Canadian energy stocks, which make up about one-third of the composition of the benchmark equity index.

One of the best ways to take exposure to this important segment of the Canadian economy is to buy top integrated energy companies, which generally perform better in any oil market downturn.

Here are the two top energy stocks from Canada that both local and international investors can consider.

Canadian Natural Resources

With crude oil prices showing strength and trading above \$65 a barrel, [Canadian Natural Resources Ltd. \(TSX:CNQ\)\(NYSE:CNQ\)](#) stock is showing a nice rebound. During the past one month, its stock has gained 16%, outperforming other top energy stocks.

CNQ's strength comes from its diversified portfolio of energy assets in North America, the U.K. North Sea, and offshore Africa. This global presence enables the company to weather any downturn better than other energy companies.

Taking advantage of lower oil prices and its strong balance sheet, CNQ last year acquired oil sands assets from **Royal Dutch Shell** — a move which substantially increased its presence and gave CNQ increased scale and sustainability from long-life assets.

CNQ stock pays a \$0.28-a-share quarterly dividend, which the company has been increasing regularly. Trading at \$46.14 a share with an annual dividend yield of 3.02%, this stock offers great income potential to long-term investors who want a top energy name in their holdings.

Suncor Energy

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) is another large-cap player which has the potential to outperform in both good and bad times.

Suncor's biggest strength is its diversification. 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.

Since the 2014 oil downturn, Suncor has pursued an aggressive cost-cutting program. During the past five years, Suncor's cost to dig a barrel of crude oil has fallen to \$25 from \$37 in 2013.

With crude prices trading more than \$65 a barrel, Suncor expects to generate over \$10 billion in funds from operations in 2018, giving it a cash flow yield of ~15%.

Trading at \$48.93, Suncor stock has gained 10% during the past one month, benefiting from ongoing strength in oil prices. For income investors, Suncor stock is a good option with its long history of boosting dividends, even during the worst of oil slump. The company has quarterly payout of \$0.32 a share with an annual dividend yield of 3.05%.

The bottom line

These two stocks are solid long-term picks for income investors, with a potential of further dividend hikes as oil prices continue to improve.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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hanwar

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