These 2 Dividend-Paying Oil Stocks Are Heating Up the TSX

Description

Is it possible that the black gold rush has already begun? Investors are looking for safety, as the world economy continues to look decidedly dicey. And since there's arguably no safer place on the TSX than oil, some energy stocks seem to be reacting to defensive investing. Then again, it could be the news that Venezuelan exports have dropped, causing a supply bottleneck. And let's not exclude the possibility that it could be a bit of both.

Either way, the TSX is up, driven by a rising energy sector. Let's look at the two stocks heading the surge and see who wins in a match of **Canadian Natural Resources Ltd.** (TSX:CNQ)(NYSE:CNQ) versus **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) while we're at it.

Are spooked investors starting to drive up big oil share prices?

Some top oil shares are rising in value in spite of OPEC/Russia's recent talk of increasing supply. It's possible that this rise in oil share prices may be driven in part by investors looking for a safe place to hide amid turbulent market conditions. A still-rising oil price and a Venezuelan bottleneck are also modulating the market.

While it doesn't make sense to follow the crowd (if you're a contrarian, at least), you should probably make an exception for big oil while it is still not overvalued and join the rush if you can find a worthwhile play.

Canadian Natural Resources is currently up 1.08% to $44 a share, while Suncor is up to 2.84% to $52.52 per share. Neither stock is currently very over or undervalued, so there's still an opportunity to beat a rush, though the time to buy cheap oil stocks on the dip may have passed for now.

Which one is the better stock, or should you consider buying both?

They're both still suitable for your RRSPs and TFSAs, so hold 'em if you've got 'em. However, one may be a better buy than the other if you've missed the boat but still want to sail, depending on whether you are looking for near-future value or long-term growth.

Let's look at forward annual yield first. Canadian Natural Resources is offering 3.08%, which is not bad for any stock on the TSX. Suncor is trailing with an offering of 2.82%. Both are well above the lowest quarter of dividend payers on the TSX, which is currently offering a yield of 1.87%. Both also have a solid 10-year track record of payments, so there's no difference there, either.

With a 36-month beta of 2.66 (compared to Suncor's 1.33), Canadian Natural Resources has the more volatile share price. This means that its stock is a little less insulated against a global oil market which — let's face it — has some stormy weather ahead of it.

Should you buy either of the stocks heading the price surge?

In the end, Canadian Natural Resources and Suncor are so similar that it may not make much sense in terms of diversification to hold both of them. It's a little too close to call. Since both stocks are a moderately strong buy, you can go one of two ways: in terms of current value, look to Canadian Natural Resources. Suncor has a slightly better outlook, though, with a projected annual growth of 16.4% compared to Canadian Natural Resources's 14.5%.

On a side note, Canadian Natural Resources's share price currently has a slower rate of climb, so consider it if you still need to take some time before adding a big Canadian oil stock to your portfolio. That said, if a Canadian oil bull run is beginning, then you may already be too late. Consider the picks mentioned here, but look over the TSX with your own eagle eye if you still fancy some decently valued oil stock.

The bottom line

Is it a bull run? It's hard to tell until prices have been rising for a while; this could be either a blip or a trend, but it's probably too early to call.

Even if it hasn't started just yet, you could expect to see at least a limited oil bull run on the TSX during the next 18 months. It could be long or short depending on all the myriad factors that make oil so volatile, but it's coming — at the very least, immediately after the 43rd Canadian federal election in October 2019. As optimism runs high amid empowered demographics after the election, oil share prices may well surge, giving canny investors a possible opportunity to sell high for a contracted period.

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