2 Top Energy Stocks to Buy on the Dip

Description

It’s not a prudent strategy for Canadian investors to completely avoid the nation’s energy stocks, which make up about one-third of the composition of the benchmark equity index.

But the biggest challenge for long-term investors is how to protect their investments in the sector, which is so volatile and may compromise the ultimate goal of their investing philosophy — to preserve their capital and earn a decent return.

One approach that many analysts advise 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.

With this in mind, here are the two top energy stocks with strong balance sheets and solid assets that fare well in any energy downturn.

Suncor Energy

Suncor Energy Inc. (TSX:SU)(NYSE:SU) is a Calgary-based oil-sands producer with assets that range from large oil fields, gas stations, and wind farms.

This diversification is Suncor’s biggest strength. 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.

Looking at the long-term price chart of Suncor’s stock, it is clear that it always pays off to buy this company during the downturn in energy markets. During the past five years, its share have gained about 70%, successfully recovering from one of the worst oil slumps of the recent history in 2014.

Trading at $51.54 at the time of writing, Suncor stock has benefited from the recent strength in oil prices and it looks a bit expensive at its current level. For income investors, a dip below $45 a share should be a good buying opportunity. Suncor stock pays a handsome dividend with its long history of boosting payouts, even during the worst of oil slump. Currently, the company pays $0.32 a share quarterly payout with an annual dividend yield of 2.75%.

Canadian Natural Resources

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ) is another energy stock with a diversified portfolio of energy assets in North America, the U.K. North Sea, and offshore Africa.

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

Investors who bought this stock during the 2016 share price slump have almost doubled their investment, with CNQ trading close to $44 a share at the time of writing.

CNQ stock pays a $0.28-a-share quarterly dividend, which the company has been increasing regularly. With an annual dividend yield of 3.03%, this stock is another pick to buy on the dip and hold it.

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1. Dividend Stocks
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