2 Top Energy Stocks to Buy When They're Selling Absurdly Cheap

Description

Energy stocks haven't been on investors' radar screens for many years due to a long bearish spell in this market since the 2014 oil slump. But since the beginning of 2018, oil has been recovering and finding support in a much higher price range.

In a latest sign of stronger oil prices, the world's largest oil producer, Saudi Arabia, has reportedly given a nod to oil prices moving to $80 a barrel, as the U.S. sanctions on Iran reduce the access capacity from the market.

If you're an oil bull and looking to add some solid energy stocks in your portfolio, this is probably the right time to make your move and buy some beaten-down stocks for your portfolio. Here are my two top energy stocks that are selling cheap and offering some value to long-term investors.

Enbridge

Canada's largest pipeline operator **Enbridge** (TSX:ENB)(NYSE:ENB) has been under pressure this year. Investors shunned this top energy infrastructure provider due to its rising indebtedness, rising interest rates, and on concerns that the company may not be able to continue with its double-digit growth in payouts.

As a result, its stock has fallen about 9% this year, underperforming the benchmark index. But some developments over the past few months suggest that the worst is over for Enbridge stock. The company is selling its non-core assets and re-organizing its business to improve its bottom line and cash flows.

The big part of Enbridge's restructuring plan was to raise at least $3 billion in asset sales this year, but the company has exceeded its target and so far has secured the sale of $7.5 billion of non-core assets.

This flow of cash combined with rising oil prices should give the company enough space to cut its debt and continue increasing its payout with a projected 10% growth rate per year. Trading at $44.83 and with an annual dividend yield of 6%, Enbridge stock looks cheap for long-term investors who want to earn growing income.

TransCanada

Among the top energy infrastructure providers, **TransCanada** (TSX:TRP)(NYSE:TRP) is another stock to consider due to its attractive value at current levels.

After falling 11% this year, it seems TRP stock is bottoming out amid an improving outlook for the energy market. The biggest attraction of owning this stock is the company's long history of paying dividends and its diversified energy assets. TransCanada has raised its dividend for 17 consecutive years.

The company runs a network of pipelines that ship natural gas and liquids. It also produces power and manages gas-storage facilities. Last year, TransCanada overcame a major hurdle in the construction of a major pipeline project, Keystone XL, after the Trump administration approved the project.

That project, however, isn't completely out of woods, as a U.S. District Court Judge recently ordered a new environmental study for the pipeline route through Nebraska. Once these obstacles are out of the way, we can expect a rebound in the stock value.

Trading at $54.68 at the time of writing, TransCanada stock now yields more than 5%, making it an attractive pick for long-term investors. The company projects its annual dividend will grow 8-10% through 2020.

Bottom line

Buying energy infrastructure stocks such as Enbridge and TransCanada is a good way to play the strength in the energy market. These companies have built-in hedges against wild swings in commodity markets due to their long-term contracted rate structure. Both stocks look cheap after recent pullback in their prices.

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