Buy the Dip in These 2 Solid Energy Stocks

Description

Suncor Energy (TSX:SU)(NYSE:SU) and **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) are two of the most solid and conservative energy stocks on the Toronto Stock Exchange.

The recent dips in the large-cap dividend-growth stocks are opportunities to pick up some shares. From their 52-week highs, Suncor stock has retreated about 14%, while Canadian Natural Resources stock has declined about 23%.

Suncor

Suncor is a diversified, integrated energy company with operations in oil sands development and upgrading, offshore oil and gas production, petroleum refining, and product marketing under the Petro-Canada brand.

Suncor has increased its dividend per share for 15 consecutive years. Its five-year dividend-growth rate is about 20%. However, investors should note that occasionally it'll grow its dividend at a single-digit rate during challenging periods.

For example, in 2011 and 2016, the stock only increased its dividend by about 7% and 2%, respectively. However, those proved to be some of the best times to pick up the stock.

At about $47.20 per share as of writing, Suncor offers a yield of about 3% and 12-month upside potential of about 30%, according to the analyst consensus from **Thomson Reuters**.

Canadian Natural Resources

Canadian Natural Resources is a large oil and gas producer with a production mix as follows: about 38% in oil sands mining and upgrading, about 25% in heavy crude oil, about 25% in natural gas, and about 12% in light crude oil and natural gas liquids.

Canadian Natural Resources has increased its dividend per share for 17 consecutive years. Its five-year dividend-growth rate is about 21%. Notably, it'll occasionally grow its dividend at a low single-digit rate during challenging periods.

For example, in 2015 and 2016, the stock only increased its dividend by about 2%. However, those proved to be some of the best periods to buy the stock.

At about $37.30 per share as of writing, Canadian Natural Resources offers a yield of about 3.6% and 12-month upside potential of about 50%, according to the analyst consensus from Reuters.

Investor takeaway

Suncor and Canadian Natural Resources are investment-grade companies with S&P credit ratings of A- and BBB+, respectively. Although they are large-cap and conservative ideas within the energy industry, their stocks are still volatile.

Simply look at their long-term price charts to get an idea. So, even though they look cheap, it's more prudent to build a position over time. When they increase their dividend at a small rate, investors should consider backing up the truck for stronger returns.

If I had to buy one of the two today, I'd go with Canadian Natural Resources, which offers a bigger dividend yield and more near-term upside potential, despite the fact it's riskier due to being more tied to the volatility of commodity pricing.

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1. Dividend Stocks
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Date
2025/08/05
Date Created
2018/10/20
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