TFSA Investors: 2 Energy Stocks to Give You Growth and Dividends

Description

It's finally happening. The markets are moving upwards again. Investors and analysts alike feared the return of a bear market, and even a recession, but it looks like those worries *might* be overblown.

However, higher share prices mean that the discounts that were once available are going fast. One area where lower shares could last a bit longer is the energy sector, but again, not for long.

Energy stocks in Canada remain down because of the drastically low price of oil. While the Albertan government called for a cut to production to curtail the glut of crude, analysts worry it won't solve the long-term problem of being able to get the oil to market. Pipelines are needed — and needed badly — as rail just costs too much.

With that in mind, investors should take this opportunity to invest in the energy sector while prices are so low. Two stocks I'd start with are **Enbridge Inc** (TSX:ENB)(NYSE:ENB) and **Cenovus Energy Inc** (TSX:CVE)(NYSE:CVE).

Enbridge

Probably the titan of the crude-producing market, Enbridge is pretty much a no-brainer when it comes to choosing an energy stock. The stock just has it all: an undervalued share price, a promising future, and a steady cash flow.

When it comes to the cash flow, I'm not just talking about the books. Though that's impressive as well, with the last earnings' report beating analysts' expectations of $0.51 earnings per share (EPS) at $0.55 EPS, and reporting revenue of $11.35 billion for the quarter.

The company also has a highly attractive dividend yield of 6.43% at the time of writing this article. The company also has a history of being good to investors, increasing that dividend yield by 10% year over year. That's money in your pocket every quarter, even if the stock goes down again.

But according to analysts, that doesn't look very likely. Already, the stock has rebounded to prices not seen since August. Since the new year, the company has jumped 27% from its 52-week low of about

$37 to trade at $47 per share at writing.

Again, that's nowhere near analysts' fair value estimates. As of this moment, analysts believe the stock to be worth somewhere between $54 and $62. This is in part due to the company's promising future outlook, with its pipeline providing the company with stable cash flow, and further growth with the expansion of its oil sands pipeline projects.

Cenovus

Now Enbridge may be the titan, but Cenovus is the underdog that analysts are rooting for. The stock is much cheaper than Enbridge, trading at about $10 per share at the time of writing. However, not only do analysts believe it's undervalued, but they also believe it could soon have the strength of an Enbridge in the future.

One thing driving this opinion is the company's solvent-aided process (SAP). The technology has the potential to become the lowest-cost oil sands production in the industry, while also maximizing the amount of oil produced.

When this technology is implemented in the next few years, Cenovus stands to gain the most, which means that a share price of $10 is just way too low.

Analysts are saying that a fair value for the stock is closer to $19 per share, and project the next year to see the stock grow to at least between $12 and $19 per share. Granted, it might be tough to wait around while the SVP is implemented. But when it is, you'll be glad you bought at such a discounted price.

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