Are These Low P/E Canadian Energy Stocks Worthy of Your Portfolio Right Now?

Description

With falling oil prices and a whole host of other worries weighing on the global economic outlook, it's no wonder that the near future is looking a little uncertain for oil and oil-weighted energy stocks. The following three key TSX index stocks are among the best picks for investors looking to capitalize on low market fundamentals and decent track records — especially if they're bullish on oil for the mid to long term. But with a potential downturn in the industry on the way, are they a buy?

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

Down 3.98%, Canadian Natural Resources had a great 12-month period, with a one-year past earnings growth of 46.6%, which trounces its negative five-year average of -5.6%. Is it one to buy and hold, though? A comparative debt level of 59.1% of net worth is over the significant threshold, meaning that the strictly risk-wary may want to look elsewhere.

In terms of valuation, a P/E of 11.4 and P/B of 1.3 feel as though they could end up going lower, so this may be a stock to watch for a deeper dip. Investors on the lookout for passive income with their energy stocks might like to know that Canadian Natural Resources has a trailing dividend yield of 3.83%. However, negative expected annual earnings of -1.7% over the next one to three years may combine with that debt and valuation to give a hold signal.

Suncor Energy (TSX:SU)(NYSE:SU)

Up 1.81% over the last five days, Suncor Energy is the strongest pick on the list, with some upward momentum, some good year-on-year growth, low debt, and a decent dividend. A one-year past earnings growth of 37.4% beats its five-year average earnings growth of 4.6%, while with a debt level of 36.4% of net worth, its balance sheet manages to keep its head above the water.

That dividend yield of 3.47% looks good, and with so defensive a stock as Suncor Energy, it's represents stable passive income. If the valuation dips below a P/E ratio of 13.7 and somewhat overheated P/B of 1.5, this stock will be a stronger buy. Meanwhile, -5.1% expected earnings shows that Suncor Energy is in line with its industry.

Parex Resources (TSX:PXT)

Down 5.49% in the last five days at the time of writing, the valuation for bargain-basement TSX index ticker just keeps getting lower. With a share price knocked down by 46% off its future cash flow value, this high-profile energy stock makes the cut due to its low market variables — namely a P/E of 5.3. However, with a P/B ratio of 1.8, you'd be paying not far off double the per-asset value.

The bottom line

Canadian Natural Resources hasn't hit the bottom yet, but when it does, it may well be a buy. Likewise, the next one- to three-year 4.3% drop in expected earnings signifies Parex Resources as one more to perhaps hold off on until it reaches a deeper low. In the meantime, Suncor Energy is a solid buy, with a valuation that's about as good as it's going to get and a decent yield to lock in; it's also got some key defensive stats, making for a timely pick.

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1. Dividend Stocks
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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:PXT (PAREX RESOURCES INC)
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