TFSA Investors: 2 Undervalued Energy Stocks That Are Still Cheap

Description

It's easy to get caught up in the stock market game. But that's what you have to remember: it is, in fact, a game. You're "playing" the stock market when you buy and trade at high rates, and unless you have some strong stocks in your portfolio that will sit and make you some cash over the long term, you're bound to lose eventually.

That's why, when you have a TFSA, investors need to search for stocks on the cheap that are set to rise over the long term. Granted, these are still stocks, and they could go down. But if you're looking for stocks that you can buy low and be confident you will be able to eventually sell high, then the energy sector could be for you.

Now, of course, there are a lot of energy stocks out there, so which promises the best bang for your buck? For my money, I'd look for the long-term gains of **Cenovus Energy** (TSX:CVE)(NYSE:CVE) and **Pembina Pipeline** (TSX:PPL)(NYSE:PBA).

Cenovus

There are two points that should put Cenovus at the top of your list when investing in energy stocks, and the first is its technological advancements. Cenovus's solvent-aided process (SAP) has the potential to be the cheapest oil sands production in the industry. However, right now it's still in a testing phase. So, while you might not see the stock move any higher due to the SAP any time soon, when it does kick into high gear, expect some huge leaps that could put it on the same level as **Enbridge**.

The other way Cenovus proved a solid stock was its reaction to the oil glut. It pushed for a cut to oil production, because oil production is expensive! The company was fiscally responsible and cut its budget from $1.4 billion to $1.2 billion in response. It also cut 2% of its production.

Now with all these cuts, the last few quarters haven't been so stellar. However, recently, the company has been rebounding. Sales have risen 38%, yet Cenovus is still far below its fair-value target of $19, sitting at $10.24 at the time of writing this article. In the next year, that price will be anywhere between $12 and $25 per share, but I'd wait the long game on this one. The potential for growth is huge, and that makes this stock ideal for your TFSA.

Pembina

Pembina isn't waiting around for the oil glut to go away. The company's success with the phase three pipeline expansion has pushed Pembina to start on an expansion of phase four, five, six, and seven. The company has invested $3.1 billion on a number of long-term projects that should be ready to go by 2020.

When these expansions are complete, investors should expect two things: the stock price to climb and the monthly dividend to increase. And it's not like you'll suffer in the meantime. The company saw sales double and net income triple in the last quarter, which is why the stock is starting to climb again ahead of its next earnings report on February 28.

But the stock is still undervalued at $46.58 at the time of writing this article. Its fair value sits in the $50-58 range, with the potential to reach $65 by the end of the year. But again, with so much expansion on the go, Pembina is a great stock to buy and watch grow in your TFSA for a long time to come.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/07/28
Date Created
2019/02/03
Author
alegatewolfe