2 Energy Heavyweights That Need to Be in Your TFSA

Description

The Canadian oil patch has managed to stabilize after entering crisis mode in late 2018. Alberta Premier Rachel Notley elected to pursue production cuts in order to combat the plummeting price of Western Canadian Select (WCS). The move has succeeded in dramatically narrowing the price differential with West Texas Intermediate (WTI), but it was an unpopular one for several producers.

In early January I suggested that energy stocks would be able to build momentum to start the year. This prediction has been aided by a broad rally for the energy and financial-heavy TSX, which has climbed 12.8% in 2019 as of close on March 28. Oil prices are not set for their biggest first quarter gain since 2009.

Today we are going to look at two energy giants that belong in your TFSA. These companies are great bets to withstand turbulence in what has become a volatile sector.

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

Suncor Energy stock has climbed 14.3% in 2019 as of close on March 28. Shares are still down marginally from the prior year. The stock is down 5.6% over the past week.

Investors should welcome the opportunity to add Suncor on the dips. In 2018 the company reported operating earnings of $4.3 billion compared to $3.1 billion in the prior year. Total oil sands production hit a quarterly record in Q4 2018 of 740,800 barrels per day. Suncor was a vocal opponent of Alberta’s production cuts and called for an early end to the policy back in February.

Suncor’s board of directors last approved a quarterly dividend of $0.42 per share, which represents a solid 3.4% yield. Suncor has achieved dividend-growth for 16 consecutive years. The stock is trading at the middle of its 52-week range, and last had an RSI of 42. Investors should not hesitate to buy if Suncor falls into oversold territory this spring.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge stock has increased 16.1% in 2019 so far. Shares are up 25.4% from the prior year. Factoring in its great dividend, Enbridge has been a top hold over the past year.

Enbridge had a very positive 2018, bolstered by solid results and a big regulatory win. Adjusted EBITDA climbed to $12.8 billion in 2018 compared to $10.3 billion in the prior year. Adjusted earnings per share rose to $2.65 over $1.96 in 2017. The company improved its cash position with $7.8 billion in non-core asset sales in 2018, $5.7 billion of which close by the end of the fiscal year.

Enbridge announced a 10% increase in its quarterly dividend this year to $0.738 per share, which represents a 5.6% yield. The company has achieved dividend growth for 23 consecutive years. It is planning another 10% increase in 2020, but expects this growth to slow to a 5-7% rate beyond this date. Enbridge boasts a wide economic moat, a high dividend payout, and a long history of dividend growth. It is a perfect stock to hold in your TFSA if you are seeking long-term income and energy exposure.

CATEGORY

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aocallaghan