Bargain Hunters: 2 Top Energy Stocks to Watch in June

Description

The S&P/TSX Composite Index was down over 152 points in early afternoon trading on May 29. May has proven to be a month plagued by volatility, and there are signs that this could stretch into June. The main contributing factor continues to be the U.S.-China trade war, as well as the decline in global growth which is being exacerbated by worldwide trade tensions.

The volatility has wreaked havoc on oil prices in late May. Unsurprisingly, this has resulted in a tough month for Canada's top energy stocks. Back in March, I'd discussed Canada's top two energy equities by market cap and why these stocks were worth holding for TFSA investors.

Let's examine why both are worth monitoring as turbulence returns to the market. Bargain hunters could be richly rewarded, as these two companies are not going anywhere any time soon, and it is worth scooping up the stocks at a discount.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) stock was down 2.46% in early afternoon trading on May 29. Shares have climbed 20.7% in 2019 so far, and the stock is still up 1.8% over the past month. The company is expected to release its second-quarter 2019 results in August. This gives investors time to evaluate pricing with turbulence hitting the energy sector.

Enbridge had a strong first quarter and reported GAAP earnings of $1.89 billion, or $0.94 per share, compared to $445 million, or $0.26 per share, in Q1 2018. Enbridge's cash flow position improved as DCF increased to $2.75 billion over $2.31 billion in the prior year. To top it off, **Moody's** boosted Enbridge's senior unsecured debt rating from Baa3 to Baa2 and reported a positive outlook.

Shares of Enbridge last boasted a forward P/E of 20, which puts it in more pricey territory relative to industry peers. The stock last had an RSI of 50, which puts it in neutral territory right now. Value investors should monitor Enbridge stock ahead of its second-quarter earnings report and look for favourable entry points. It is worth setting a soft target of a 6% dividend yield to consider pulling the trigger.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) was my top stock for May. Earlier this month, I'd discussed why the integrated energy giant was worth holding for decades to come. Shares have climbed 10.8% in 2019 as of this writing, but the stock is still down 15% from the prior year.

Suncor openly opposed Alberta's mandatory production cuts, but the company managed to boost its production regardless in the first quarter of 2019. Funds from operations (FFO) rose to $2.58 billion, or $1.64 per share, compared to $2.16 billion, or $1.32 per share, in the previous year. Suncor last paid out a quarterly dividend of $0.42 per share, which represents a 3.9% yield.

Share of Suncor had a forward P/E of 13 as of this writing, which makes it an attractive value play relative to its industry. Its RSI of 45 also puts it in neutral territory, so value investors may want to exercise some patience as we move into June. Both stocks are well worth holding for the long term. If market volatility stretches into June, investors should not be afraid to pull the trigger on discounted prices.

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