Dividend Investors: These Canadian Energy Stocks Are U.S. Favourites

Description

When it comes to energy stocks, Canadians can be proud that the TSX boasts some of the best in North America. And for Americans seeking exposure to our energy investment landscape, two top-tier tickers consistently rise to the top. Let's take a look at a pair of Canadian energy companies that are often found together, orbiting the stock market forums like a binary star system and adding a touch of brilliance to U.S. stock portfolios.

What are Americans buying?

While Canadian stocks from other sectors are important to Americans, such as the ever-popular **TD Bank** and the spread-risk **Brookfield** family, today we'll be taking a look at oil giant **Suncor Energy** (TSX:SU)(NYSE:SU) and the utilities king **Enbridge** (TSX:ENB)(NYSE:ENB). Both stocks are popular south of the border for their defensive attributes and tasty dividend yields.

Suncor Energy is looking increasingly popular, as it strips down operating costs, while attractive valuation combined with strong cash flows for the long term make it a solid choice to buy and forget about. With a big expansion in the works, income investors looking for growth have a clear buy in this Canadian wunderkind of an oil sands stock. Canada is well known for its natural resources, and with oil being one of our primary economy-driving sectors, Suncor Energy stock is a smart buy.

Enbridge, meanwhile, is the top midstream choice with massive growth highlighted by its most recent quarterly results. This took account of $7 billion in growth projects completed in 2018, while another $3 billion "in the pipeline" looks set to make the next quarterly report just as positive. With record growth this year in its pipeline infrastructure and upstream output in Canada and the U.S., Enbridge is a strong investment.

Why are they getting invested?

Paying a 4% dividend yield and selling at an attractive valuation at today's price of $41.79 a share at time of writing, Suncor Energy is a smart play with several strings to its bow. For oil fans, the fact that its upstream portfolio incorporates not only conventional crude but also synthetic crude and bitumen tells you that ongoing costs accrued by input-heavy oil sands production is mitigated in the long term. With 7.5 billion barrels of crude in reserve, Suncor Energy is a buy-and-hold aristocrat.

Americans looking for a higher yield in a more infrastructural company like Enbridge for its 6.23% yield, even if it's not a good value as Suncor Energy. Selling for $47.06 a pop, Enbridge is within the same price bracket as Suncor, but it comes with a higher return and lower risk profile. However, speaking of risk, Enbridge is not without is roadblocks, with a number of legal challenges to some of its projects ongoing.

The bottom line

For a defensive investment that will keep the cash coming in come rain or shine, both Suncor Energy and Enbridge are just the ticket. Canadians looking to stash lucrative and stable stocks in a TFSA or other stock portfolio should make like our American cousins and add this pair of cash cows to their list of TSX holdings.

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