Are These 3 Energy Stocks a Bargain?

Description

Energy stocks took another beating on August 9, as North American indices struggled to end a rough week on a high note. U.S. president Donald Trump threw cold water on the notion that a trade deal with China was at all close to be realized. This should not come as a surprise after tensions reignited this week, but some investors have maintained a hopeful outlook in the face of contrary evidence.

Today, I want to look at three energy stocks that have been pummeled this summer. Should investors pull the trigger on a potential discount? Let's dive in.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) stock was down 0.4% in early afternoon trading on August 9. Shares have dropped 7.7% over the past three months. In late May, I'd discussed why I viewed Enbridge as a pricey pick and set a target of a 6% yield for a potential re-entry. Oil entered a bear market in early June, and, predictably, Enbridge stock has suffered in the aftermath.

The company reported another strong quarter in Q2 2019. It posted GAAP earnings of $1.73 billion, or $0.86 per share, compared to $1.07 billion, or $0.63 per share, in the prior year. Enbridge's core businesses all performed at or close to full capacity. It announced $2 billion in new secured growth projects across utilities and renewable power businesses.

Enbridge stock now boasts a price-to-earnings ratio of 16. Shares had an RSI of 43 at the time of this writing, putting the stock just outside technically oversold territory. Enbridge still offers a quarterly dividend of $0.738 per share, which represents a tasty 6.5% yield.

Vermilion Energy

Vermilion Energy (TSX:VET)(NYSE:VET) was my top stock pick for August after a sharp post-earnings dip. The company suffered a production drop in the second quarter, which it blamed on a French refinery outage. Vermilion has also encountered turbulence in the face of headwinds for oil and gas prices.

Still, Vermilion looks discounted right now. The stock boasts a P/E of 10.7, which comes as a favourable price point relative to industry peers. Shares had an RSI of 20 at the time of this writing, putting Vermilion in technically oversold territory. And, of course, there is Vermilion's monster dividend yield. The stock offers a monthly payout of $0.23 per share, which represents a whopping 13% yield.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) stock was up 0.71% in early afternoon trading on August 9. Shares have dropped 6.5% over the past three months. In the second quarter, Cenovus reported a $1.78 billion net profit compared to a $410 million loss in the prior year. Most of this uptick was due to one-time tax benefits and currency fluctuations that fell in Cenovus's favour. Cenovus also benefited from higher prices, which means that the back half will likely see some slippage in earnings.

The stock had a high P/E of 36 at the time of this writing, while shares had an RSI of 40. This puts Cenovus outside of technically oversold territory. The company last paid out a quarterly dividend of $0.05 per share, which represents a modest 1.7% yield. Cenovus stock does not offer near the upside of the previous two equities I've covered today, and slumping oil prices will likely weigh on its performance in Q3 and Q4.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:VET (Vermilion Energy)
4. TSX:CVE (Cenovus Energy Inc.)
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