2 Top Dividend Stocks Selling Absurdly Cheap

Description

It's certainly not been a good year to buy oil stock. The fear of a supply glut, economic recession and Canada's pipeline constraints kept the share prices of many top producers under pressure.

The result of this persistent weakness has been that some of the top-class dividend payers have been selling cheap.

If you're looking to invest in quality dividend stocks after this sell-off to take advantage of low prices, then I have the following two recommendations:

Suncor Energy

Canada's oil-sand producer **Suncor Energy** (TSX:SU)(NYSE:SU) has been on a slippery-slope for about a year now. Its share price has fallen more than 25% in the past one year, underperforming the benchmark **S&P/TSX Composite Index.**

That sell-off isn't something unique to Suncor. In Canada, many large oil producers have met with the same fate. But I particularly like Suncor in the group, as I believe the stock has a better chance to rebound and reward investors.

There are a couple of reasons that make Suncor as a standout candidate in the pack. First, its vertical integration that makes it a more valuable company and well-positioned to weather oil slump.

The company's integrated business model allows the company to dig for oil, refine it, and sell it through its 1,500 gas stations. Rival oil sands companies are more exposed to volatile commodity prices and pipeline constraints, but Suncor's presence in almost every stage of energy supply chain makes it somewhat insulated.

In the final quarter of 2018, Suncor hiked its payout by 17% to $0.42 a share quarterly and increased its share-buyback program from $2.15 billion to $3 billion.

Trading at $37.94 at writing and with an annual dividend yield of 4.42%, Suncor has many catalysts that could move its stock higher from these levels. According to analysts' 12-month price target of $53, Suncor has the upside potential of more than 30%.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is another top producer which has seen its share price falling consistently during the past 12 months. After losing about third of its value, it shares are near where they traded in the summer of 2016.

But is it a good time to buy CNQ shares which are yielding 4.78%? If you try to look into the recent past, this is the stock which has always rebounded strongly once the skies get clear.

Investors who bought Canadian Natural Resources stock during the 2016 slump doubled their investment in the next two years when CNQ stock hit $49 a share in the past summer.

The company's recent earnings show that Canadian Natural is performing well in one of the worst environments for oil producers. In the second-quarter, its net earnings rose to $2.83 billion, or $2.36 per share, beating analysts' estimates as both oil and gas production rose.

What is fueling these gains is the company's big acquisition, including of Alberta assets of U.S.-based Devon Energy Corp. that it bought in June.

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2. NYSE:SU (Suncor Energy Inc.)
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