Top Energy Stocks to Buy in October for Your TFSA

Description

Investing through your Tax-Free Savings Accounts (TFSA) should have a simple goal to achieve: invest in stocks which could provide you a steadily growing income stream and decent capital gains.

But the main challenge for TFSA investors is which stocks can fulfill this criteria? In my opinion, Canada's top energy stocks should definitely be part of that strategy.

The reason is that energy companies belong to an important segment of the Canadian economy, making up about one-third of the total market capitalization of the **S&P/TSX Composite Index**.

Integrated energy companies with strong balance sheets and solid assets generally perform better in both downturns and recovery. Such companies can also provide decent long-term returns to investors whose objective is to hold on to their investments and ride through the market volatility.

In this category, I particularly like **Canadian Natural Resources Ltd.** (TSX:CNQ)(NYSE:CNQ) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU).

Canadian Natural

Canadian Natural Resources is the country's second-largest largest oil company. By taking advantage of lower oil prices and its strong balance sheet, CNQ acquired oil sands assets from **Royal Dutch Shell** in 2017 — a move that substantially increased its presence and gave CNQ increased scale and sustainability from long-life assets.

In another big acquisition announced in late May, Canadian Natural announced that it would buy the Alberta assets of U.S.-based **Devon Energy Corp.** for $3.8-billion.

Devon Canada has the capacity to produce 128,000 barrels a day, including 108,000 b/d in the oil sands and 20,000 b/d of conventional heavy oil.

According to CNQ, the acquisition would immediately add to earnings per share and free cash flow, while the company expects to be able to gain further benefits by reducing capital and operating costs for the Devon assets.

This leading position in Canada's energy space certainly makes CNQ a top stock to buy for your TFSA.

Suncor Energy

One of the biggest reasons that makes Suncor different from other Canadian producers is the company's operational readiness to thrive in both good and bad market conditions.

What helps Suncor continue to generate strong cash flows is its business diversification. The company not only holds the largest reserves in the oil sands, but also owns and operates four refineries, Canada's largest ethanol plant, wind farms, and 1,500 retail outlets.

As oil prices recover and refining margins strengthen, Suncor is in a much better position to produce more cash from its diversified operations than a normal oil producer.

Due to the company's strong cash flow-generation capability, its stock has been a reliable income generator for long-term investors, even in the worst environment for oil companies. Suncor has a solid history of rewarding investors with growing dividends.

Bottom line

Both CNQ and Suncor offer a long-term investing avenue to TFSA investors. Both stocks pay growing dividends and their yields are attractive at about 4%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/15
Date Created
2019/10/04
Author
hanwar