2 Top Energy Stocks Yielding +4% to Buy Today and Hold Forever

Description

Oil continues to whipsaw wildly, as a mix of good and bad news causes its price to swing wildly. Fears of a global recession, the U.S./China trade war, stagnant economic growth in the Eurozone, and growing inventories are all weighing on its outlook. This caused the North American benchmark West Texas Intermediate (WTI) to pull back sharply in recent days after it surged because the attacks on Saudi Arabia's oil infrastructure last month. WTI is now down by 30% over the last year to be trading at around US$52 per barrel, and this is weighing heavily on energy stocks.

Nonetheless, it shouldn't deter investors from bolstering their exposure to energy stocks and has created an opportunity to acquire quality names at an attractive valuation. Here are two top energy stocks that every investor should consider adding to their portfolio.

King of the oil sands

It has been a tough year for investors in oil sands giant **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which has lost 18% over that period. The company has amassed an impressive 13 billion barrels of oil reserves, which are primarily focused on the oil sands but also include mineral concessions in the North Sea and offshore Africa. Canadian Natural Resources was one of the oil sands producers hardest hit by the deep discount applied to Canadian heavy crude during the second half of 2018, but a focus on reducing costs and driving capital efficiencies has seen a significant turnaround in its operations.

Canadian Natural's focus on reducing costs and improving its access to energy markets was responsible for its second-quarter 2019 netback increasing by 18% year over year to $24.67 per barrel. This is despite the average price for WTI over the quarter being 12% lower compared to a year earlier.

That can be attributed to the average price differential between Western Canadian Select (WCS) and WTI being almost half of what it was for the second quarter 2018, a 7% year-over-year reduction in transportation costs and 8% decrease in production expenses. This saw net earnings soar to be almost three times greater than a year earlier to $2.36 per share, although Edmonton's decision to reduce the corporate income tax rate by 1% and higher WCS prices because of Alberta's mandatory production cuts also assisted.

There is every indication that Canadian Natural's earnings will continue to grow because of a narrower differential between WCS and WTI as well as its focus on boosting efficiencies. Patient investors will be rewarded by Canadian Natural's dividend yielding a juicy 4% while they wait for its stock to appreciate.

Leading energy infrastructure provider

Despite being a major provider of vital energy infrastructure and midstream services in North America, **Enbridge** (TSX:ENB)(NYSE:ENB) has been highly unpopular with investors — to the point where it is the eighth most shorted stock on the TSX. That is also regardless of signs that Enbridge has turned its business around, including the roll-up of its other listed vehicles into a single entity and reducing its debt to a more manageable 4.5 to five times EBITDA.

Enbridge, which possesses a wide almost insurmountable economic moat, is responsible for transporting a quarter of North America's crude and a fifth of its natural gas. This, coupled with steep barriers to entry preventing competition, sees Enbridge operating in an almost oligopolistic market, which allows it to an extent to be a price maker rather than a price taker. That, along with the contracted nature of its revenues, virtually guarantees earnings growth.

There is considerable pent-up demand for the utilization of Enbridge's infrastructure, transportation, and storage facilities because of a significant lack of pipeline exit capacity in Canada. This, combined with Enbridge working on a $19 billion portfolio of projects, including the crucial Line 3 Replacement, and growing Canadian oil production will drive higher demand for its services, giving earnings a solid boost. While shareholders wait for its stock to rise, they will be rewarded by Enbridge's regularly growing dividend, which it has hiked for the last 23 years straight to be yielding a very juicy 6%.

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1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ENB (Enbridge Inc.)

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