Buy the Crash: 2 Energy Stocks That Could Skyrocket

Description

If you're looking to buy the crash with the intention of maximizing your upside potential, you may want to look to the heavily out-of-favour energy space.

Canadian energy stocks look toxic right about now after the breakdown of OPEC+ and an escalating price war. Add the coronavirus (COVID-19) meltdown and the rise of the ESG (environment, social, governance) investing trend into the equation, and you've got the formula for a disaster.

It takes guts to be in anything related to energy right now. And for many Canadians, it's just not worth the risks because like it or not; we're affected through the loonie or energy holdings within those passive investment products.

What is a Canadian investor to do as energy stocks plummet with no bottom in sight?

Oil prices could stick at US$20 for the long haul, but with President Trump getting involved with the price war, we could see an explosive upside move that could reverse the damage that's been done to energy stocks.

Commodities prices are unpredictable, but in the case of oil, I'd say that's a good thing given oil prices are near generational lows.

If you're looking to double-down on the oil patch after the recent sell-off, you may want to consider the following beaten-up names:

Buy the crash: Enbridge

In dire times like these, you need to reach for quality energy plays. And as oil could stay lower for longer, you're going to want to swim downstream to limit your exposure to fluctuating energy prices.

Enbridge (TSX:ENB)(NYSE:ENB) is still affected by the decline in oil prices, but not to the same extent as its upstream peers. Pipeline plays like Enbridge face high regulatory hurdles, and the recent Saudi-Russia oil collapse is doing no favours to the dividend growth king that was getting its operations back on the right track.

At the time of writing, Enbridge sports a 10% dividend yield. The dividend will likely be fine given the firm has around $12 billion in unused capacity on its credit facilities. Moreover, Enbridge has been improving upon its business despite the event-driven setback, making the name one of the most investible energy plays to buy the crash.

Shares trade at a staggering 1.1 times book and 10.2 times EV/EBITDA. That's bottom-of-the-barrel pricing for a name that could come roaring back after this brutal year is done and over with.

Buy the crash: TC Energy

Sticking with the pipeline theme, **TC Energy** (TSX:TRP)(NYSE:TRP) is another top play that's a bargain amid the oil crash. The company is a top dog in its industry and sets an example for what other midstream players should strive to be.

The company is well geographically diversified (with exposure to Mexico) and has an exceptional management team that knows the ins and outs of the business, making it a safer way to buy the crash.

"The Calgary-based energy infrastructure kingpin has defied the odds, posting stable returns at a time when many of its peers are treading water. TC Energy's mix of natural gas and liquids pipelines have paved the way for continued cash flow right back into the pockets of shareholders." I said in a prior piece. "With encouraging growth projects on the horizon, TC Energy can continue raising its dividend at a 10% annualized rate."

Despite the recent plunge in oil prices, I'm still a raging bull on TC and think investors should take advantage of the latest bout of volatility by initiating a position in the stock while it yields north of 6%. TC is a leader, and I don't see it staying down for a prolonged period.

If you're looking to buy the crash, TC Energy is a top pick after the 30% drop.

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