TFSA Investors: 2 Cheap TSX Stocks to Scoop Up Now While the Price Is Low

Description

Up until a few weeks ago, the **S&P/TSX Composite Index** seemed like it had no other place to go but up. An outbreak of a new disease has entirely changed the economic landscape. The COVID-19 pandemic continues to take a toll on the global stock markets. The oil crash that came after the breakdown of OPEC+ has hit Canadian investors hard.

Oil stocks have collapsed by significant margins, resulting in a substantial hit to various Canadian equity funds. The declining oil prices are creating a chain reaction that's impacting other vital sectors in the Canadian economy.

Even safe stocks look dangerous

Several Canadian energy industry operators present themselves as a picture of safety and security under normal circumstances. Despite falling oil prices, however, few high-quality companies seemed poised to weather the storm well. The sudden spread of COVID-19, however, is devastating, even the kings of the Canadian oil patch.

Today I'm going to discuss **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) and **Suncor Energy** (TSX:SU)(NYSE:SU). The two favourite stocks are among the safest energy companies that continue to tumble. It could be time to purchase shares of the companies as the dividends swell and the values decline.

Canadian Natural Resources

Following its acquisition of Devon Energy's Canadian assets, CNQ undoubtedly became the most potent Canadian energy operator. The deal came as a bargain for CNQ up until the oil crash came along.

The $22.5 billion in total debt on the sheet for CNQ following the oil price crash and a minimal amount of cash are having a drastic impact on the stock.

The company is currently well covered owing to its high volume of operating cash flow, but its swelling dividend yields could be in danger.

At writing, the stock is trading for $11.00 per share. CNQ is down by 73.32% from the start of the year, and its dividend is at an astounding 15.45%. Any stock with a 13% or higher dividend yield is unlikely to sustain such high rates.

If the rates for oil in the U.S. continue to decline, it's unlikely that CNQ might be able to shield its investors. The stock is dirt cheap right now and could be a cautious buy for your TFSA portfolio.

Suncor Energy

Suncor Energy is one of Warren Buffett's favorite plays in the oil sector. It is also one of two Canadian equities that the world's most successful investor has bought shares of. The stock is trading for $15.07 per share at writing — and is down by more than 64% year to date. It's offering a significant dividend yield of 12.34% to shareholders due to the swell caused by declining prices.

Buffett chooses his investments based on the long-term outlook. He advises not to give in to the panic created by headlines. There will always be a short-term pullback due to market correction.

Still, his bets have almost always come through for the Oracle of Omaha. The Russia-Saudi oil price war might have far more damaging implications for Suncor and other oil patch operators in the long run.

Suncor is a king among oil patch companies, with an integrated business model that presents a more insulated exposure to the energy sector compared to its peers. It's trading for a massive discount at writing. If Warren Buffett's trust in the stock is not misplaced, it could be a vital asset for your TFSA portfolio.

Foolish takeaway

The latest stock market crash is doing a serious number on the energy sector, and I'd therefore suggest limiting your exposure to the oil patch operators in your TFSA portfolio.

Instead, consider including high-quality stocks like Suncor and CNQ in your holdings for the long-term prospects the companies have to offer.

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Date
2025/08/25
Date Created
2020/03/24
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