TSX Oil Stocks: Should You Buy This Dividend Aristocrat Right Now?

Description

The urge to sell in this market is strong. But this is no time for the 8% rule. If it were, nobody would be holding TSX oil stocks right now. In saner times, the 8% rule holds that you sell a stock the second it dips below that level. But the entire index dipped last week to a point where a “peacetime” asset manager would have sold the lot.

This is not peacetime, however. The fight against COVID-19 is akin to a war with casualties, ebbing morale, and the threat of economic ruin. The effect on the markets — the “coronavirus crash” — mirrors even the Great Depression in its severity.

Holding is tough but the market will recover

All is not lost, as market analysts have repeatedly reassured investors in the last two weeks. We just came out of a record bull run. But remember that it was preceded by one economic recession after another. There is a strong case to be made for buying cheap, quality stocks right now. Investors in TSX oil stocks should look to the future, think long term, and keep on holding quality names.

However, one sector has been hit harder than any other. That’s the oil and gas sector. Oil was already facing an uphill battle this year. The oil price war has been rumbling on for some time, dragging prices down. The trade war cut into demand, further weakening oil prices. OPEC then failed to reach a resolution that would have stimulated per-barrel prices.

Canadian oil stocks are dirt cheap and yields are high

TORC Oil & Gas ditched 53% last week — a truly calamitous plunge. On the plus side, that drop has pushed the dividend yield up to 11%. The majority of TORC’s revenue is fed by crude, which goes a long way to explain that price drop. After all, we’re at a point where Texas oil regulators are weighing OPEC-coordinated production cuts. If that’s not a sign of an oil crisis, nothing is.

Enbridge (TSX:ENB)(NYSE:ENB), however, ditched 14% last week. Now, that would be bad enough in a stable stock market. Imagine a dip like that last year. But coming last week, it shows resilience compared with the rest of the oil sector. This makes sense, though, since Enbridge is far more diversified than most Canadian oil stocks. Investors looking for oversold quality also have a dividend yield of 8.7% to mull over.

Enbridge was selling at its best price in a decade at one point last week. Its yield was nudged over 9%. That should signal to yield-seeking income investors that this name is not invulnerable. Indeed, there could be better value ahead. That's why Enbridge is a top Dividend Aristocrat to put on your wish list right now.

The bottom line

This is not the time to panic sell. Quite the opposite. There is a strong thesis for buying certain blue-chip TSX oil stocks right now. Canadian energy investors looking for long-term capital gains should seize it. So, instead of selling those quality names, consider buying and holding the best Canadian stocks forever.

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