TFSA Investors: 2 TSX Energy Giants Are Screaming Buys!

Description

The oil and energy sector has been hit by multiple punches in the last two months. COVID-19 has ensured that almost two billion people around the world are under lockdown. The movement of goods and services is severely restricted. No one is gassing up their cars anymore, because businesses are shut down and people are largely working from home.

Add the conflict between Saudi Arabia and Russia, and you have an oil price war, the likes of which the world hasn't seen in decades. Canadian crude is now so cheap that it costs more to ship it than to buy it. Western Canadian Select Crude in Alberta dropped to a shocking $5.06 on March 27.

Why in the world would I recommend an oil producer? It is the biggest one in the country. Its processes and focus on bottom lines are right up there with the best. It is adept at cutting costs and making the most of operational efficiencies.

Suncor stock is down 60%

Suncor Energy (TSX:SU)(NYSE:SU) shares have fallen over 60% in the recent selloff and are now trading at $16.42, down from $44 plus levels in January. Thanks to the fall, the dividend yield is at a mouth-watering 11.3%. The last time Suncor shares were trading at these levels was in 2004. Even during the 2008 financial crisis, Suncor shares didn't fall below $25.

Suncor is under no illusion about what 2020 holds. In a recent update, it revised its 2020 corporate guidance for capital, operating costs, and production outlook, reflecting the significant decline in the crude oil price and uncertainty surrounding the economic impact of COVID-19.

The revised capital program is expected to be between $3.9 and $4.5 billion — a $1.5 billion, or 26%, decrease compared to the original 2020 capital guidance midpoint. Suncor also admitted that it couldn't rely on refining as it has traditionally done to make up for its oil losses. "Product demand in Canada is starting to decline and is expected to continue over the next few quarters. Suncor has begun to adjust refinery utilisations as a result," it has said.

Suncor has partially shut down its Fort Hills oil sands mine. Will Suncor shares fall lower? They probably will. What'll be the bottom? I have no clue, but its current price is a great buying opportunity, and investors can look to buy it in tranches. Warren Buffett's **Berkshire Hathaway** owns Suncor, which makes the stock even more attractive.

Enbridge is a domestic giant

Another energy giant whose shares are down over 30% from 52-week highs is **Enbridge** (TSX:ENB)(NYSE:ENB). This is new territory for Enbridge. The pipeline company didn't see such a fall during the 2008 financial crisis or the 2014 oil price crisis.

Enbridge transports approximately 25% of the crude oil produced in North America, 20% of the natural gas consumed in the U.S., and its renewable power component generates approximately 1,750 MW of net renewable power in North America and Europe.

In fact, 95% of Enbridge's revenue line is from investment-grade companies. Oil in Enbridge pipelines is from **BP**, Suncor, **Marathon**, **Total**, **Valero**, and **Phillips**. On the gas transmission side, companies like Eversource, BP, **Fortis**, and Nextera are Enbridge clients. These are companies with lots of runway and very strong balance sheets.

Enbridge's dividend yield is now almost 8.5%. This is another strong buy in the energy space and is a top pick for contrarian investors.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

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

Category

1. Coronavirus

2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/18
Date Created
2020/03/30
Author
araghunath