2 TSX Stocks That Lost up to 25% Last Week

Description

While there was a sharp bounce back in many TSX stocks, energy stocks have continued to dig deeper since last month. To add to the woes, the crude oil supply glut is getting terrible day by day amid the declining demand. The WTI crude oil fell below $13 today — levels not seen in the last more than 20 years.

The **TSX Composite Index** rose almost 2% last week and has surged approximately 30% since its recent lows last month. However, TSX energy stocks did not follow suit. Top energy company **Husky Energy** (TSX:HSE) stock fell almost 25%, while **Vermilion Energy** (TSX:VET)(NYSE:VET) tumbled 20% last week.

TSX energy stocks continue to be volatile

In the last few months, we have seen many Canadian oil producers cutting their capital expenses and dividends for the current year. Given the continued deteriorating state of crude oil, we might see further such cash-retention remedies from these companies.

Husky Energy is one of the biggest oil producers in Canada with approximately 300,000 barrels of oil per day. The stock has fallen more than 65% so far this year. The company today again cut its 2020 capital spending by half to approximately $1.7 billion.

However, Husky looks well placed in these challenging times mainly due to its strong balance sheet. As of the end of the first quarter of 2020, the company had approximately $4.7 billion in cash and available credit facilities. Also, it does not have any long-term debt maturities until 2022.

Husky Energy is currently trading at a dividend yield of 14% at the moment, notably higher than its historical average yield. In 2019, the company paid total dividends of $0.5 per share, while it earned $0.71 per share, representing the payout ratio of around 70%. The equation could imbalance this year if oil remains at these levels for a prolonged period.

Vermilion Energy suspended dividends last week

Vermilion Energy suspended its dividends last week considering the worsening crude oil scenario. Notably, the complete suspension of dividends highlights the dire situation for the energy company. It had trimmed dividends twice last month.

TSX stock Vermilion has already dented investors' portfolios with a more than 75% fall so far this year. Now the dividend suspension could further make investors anxious. In the last 12 months, Vermilion stock has fallen almost 90%.

With lower production and weak oil prices, these energy companies will likely take a huge dent on their bottom lines this year. TSX energy stocks could continue to be volatile with notable downward pressure in the short to medium term.

Things could get a little better in the energy markets in the second half of 2020. The lockdowns driven by the pandemic will likely be released, and there will hopefully be a demand surge for oil. However, the outlook for the energy sector in the short to medium term remains bleak. The longer-than-expected lockdowns and crude oil storage woes will probably push oil prices down more, complicating things further for cash-starved energy companies.

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