



2 TSX Energy Stocks to Buy As Oil Prices Rise

Description

The global oil industry has seen a significant impact on business in the last few months. In Canada, the situation is even worse, and you can tell when looking at the valuations for several **TSX** energy stocks.

Stocks are incredibly cheap. However, they are also extremely high-risk. At market close on Friday, Western Canadian Select was trading at just over \$16.

The main reason why the Western Canadian energy sector has such a tough time in these situations is that essentially all the oil we export goes to the United States.

While these are significant issues that have persisted for years and need to be addressed, it would take years to change this, so we just have to live with it.

TSX energy industry today

In the meantime, we want to see if any TSX energy stocks are worth an investment today. As mentioned, there is a significant risk in energy right now, especially with all the uncertainty.

While these situations are dire, they do create incredible opportunities for investors willing to get in near the bottom.

While some U.S. states have started easing stay-at-home orders, year-over-year demand for oil is still down significantly, and storage volumes continue to rise.

This suggests that a lot more curtailments will need to take place. Otherwise, this commodity environment could last quite a while.

What's most important for TSX energy stocks today is having enough liquidity to survive this environment. The problematic thing about liquidity, however, is that nobody can predict how long this will last.

The companies with the most liquidity are therefore likely to be the most attractive for investors.

The two TSX energy stocks I'd consider buying today are **Cenovus Energy Inc** ([TSX:CVE](#))([NYSE:CVE](#)) and **Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)).

Top TSX energy stock

Suncor is one of the best-positioned TSX stocks in the Western Canadian energy industry. The company has upstream, midstream, and downstream operations giving the business full vertical integration.

The vertical integration is what makes Suncor so stable and so attractive in this environment.

Unlike an oil company that only produces and sells oil, Suncor also refines it. Furthermore, the company also markets and retails petroleum products through its network of over 1,500 locations across Canada.

Suncor's reaction to the impact of [COVID-19](#) has thus far been prudent. Management immediately slashed the budget by roughly 25% as well as securing more than \$2 billion in liquidity.

That was Suncor's initial response. But this week we will get an updated look during its first-quarter earnings.

While [Suncor](#) is already strong and capable of handling these issues, it will be useful to see what other plans management has for the company going forward.

The top TSX energy stock is trading at roughly \$24 today, nearly 50% off its 52-week high and offering investors outstanding long-term value.

Top value energy stock

Cenovus is another large integrated TSX energy stock that is being affected heavily by this. The company produces oil in Canada and has a stake in two U.S. refineries.

Both of those businesses have been hit hard. As a result, Cenovus' stock has sold off by more than 60% from where it was in late February.

However, despite having significant short-term issues, the company also looks like it can weather the storm.

Not only does it already have ample liquidity, and just secured an additional \$1.1 billion, but Cenovus also has a tonne of flexibility when it comes to cutting costs.

This should give Cenovus a tonne of breathing room, especially as it has no debt maturities until 2022.

At just \$4.70, the stock is more than 66% off its 52-week high, remarkable value for long-term investors.

Bottom line

The Canadian energy industry is likely to struggle in the short-term, which should bring some significant opportunities to TSX energy stocks.

So make sure you are buying these stocks well below fair value. However, more important, make sure the companies you buy can survive the challenges ahead.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:SU (Suncor Energy Inc.)

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