



1 TSX Energy Stock to Take Shelter With as Oil Price Rally Peaks

Description

Investing in the energy sector has never been easy. Higher volatility and uncertainty have made it even distressing for investors this year. Crude oil prices went deep down into the negative last month and have more than doubled since then. Notably, **TSX** energy stocks also exhibited a steep surge recently.

Crude oil rally seems to be exhausted

Crude oil prices zoomed recently on the improving demand-supply equation. Major economies, including China — the biggest oil consumer, gradually re-opened after weeks-long lockdowns, which contributed to increased demand. Big oil producers also did their bit by curtailing production, helping the supply side.

However, crude oil looks to have limited upside from its current levels, and the rally will likely soon weaken. I think the crude oil rally has already priced in the higher demand expectations driven by the lockdowns' release. Now, the slowing global growth and the recessions faced by more and more economies will likely weigh on the energy markets. The demand side of the equation will again create a downward pressure that might not be immediately harmonized by the production cuts.

TSX energy stocks and the surging oil

Top TSX energy stock **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is up about 150% since its March lows. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock has rallied about 60% in the same period.

Suncor recently trimmed its dividends by 55%. Canadian Natural stood strong among peers in terms of liquidity and maintained shareholder payouts. The fourth-largest energy company, **Cenovus Energy**, fully suspended its dividends to survive the challenging times.

So, what should energy investors do to stay protected if oil drops again? Some TSX energy stocks will follow the commodity, while some will be relatively safe.

TSX stock: Canadian Natural Resources

I think Canadian Natural Resources is one energy bigwig that will stand comparatively strong. The low-cost integrated energy company has a diversified product base of natural gas, light and heavy crude oil, and natural gas liquids. Also, it has a strong liquidity position, which will help it weather these challenging times.

While many energy companies globally cut or suspended shareholder payouts, Canadian Natural [increased](#) them by a stellar 13% in March 2020. This year marked a 20th consecutive dividend increase for the company. It yields almost 7% at the moment, almost double that of Suncor Energy and TSX stocks at large.

Canadian Natural Resources stock also looks attractive from the valuation perspective. Despite its recent rally, it looks to be trading at a fair valuation compared to peers Suncor Energy and Cenovus Energy.

Suncor Energy is also another attractive name in the Canadian energy space. Its large downstream operations will likely act as a hedge against a potential price fall. However, I think Canadian Natural still has the edge over Suncor due to its juicy dividend yield and attractive valuation. Also, Suncor's downstream segment could remain under pressure this year, given the lower demand amid the pandemic.

While CNQ stock is not completely [immune to market downturns](#), it is much better placed compared to peer TSX energy stocks. Its solid dividends and attractive valuation will likely help it outperform broader energy markets.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
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