Energy Stocks: A Top Industry to Buy Now?

Description

Energy stocks have taken a hard hit this year. The COVID-19 pandemic essentially halted business and personal travel to a near standstill. Demand for oil fell precipitously and even hit historically negative prices. The oil price war between Russia and Saudi Arabia came to an end, and oil prices rebounded.

Despite this turn of events, OPEC production levels remain high, pressuring North American oil companies. This may seem like a sign that it is still not the right time to invest in energy stocks. But there may be some energy stocks on the **Toronto Stock Exchange** with diversified business models and attractive dividend yields.

These oil stocks may be well prepared to weather these geopolitical storms while providing shareholders with income returns to their retirement portfolios: the Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

Here are two energy stocks that you might consider buying today.

Inter Pipeline struggles with low commodity prices

Inter Pipeline (TSX:IPL) stock dropped to a 52-week low of $5.35 per share after the March 2020 market sell-off. Prior to the COVID-19 crisis, investors traded the energy stock for near a 52-week high of $24 per share. At the time of writing, Inter Pipeline stock is selling for $13 per share.

The annual dividend yield on this stock is 3.69%, which would provide a solid income for any retirement portfolio. But with geopolitical forces constantly creating volatility in oil prices, is Inter Pipeline stock a good buy on the TSX?

Christian Bayle, president & CEO of Inter Pipeline, had this to say about the company's performance during this year's collapse in global oil prices:

> “Our oil sands transportation business generated strong, consistent financial results and European bulk liquid storage capacity utilization rates climbed to near record levels during the quarter. However, as expected, throughput was down on our conventional pipeline systems as producers shut-in volume in response to the collapse in global oil pricing. Our NGL processing results were also significantly affected by the lower commodity price environment.”

Some of Inter Pipeline’s businesses succeeded this year, offsetting losses from conventional pipeline operations. While this is a decent energy stock, there may be better investment opportunities on the TSX today.

Top energy stock: Enbridge offers a high dividend yield

Enbridge (TSX:ENB)(NYSE:ENB) fell from a 52-week high of $57.32 to a 52-week low of $33.06 after the March 2020 market sell-off. At the time of writing, the energy stock is trading for $40.08 per share. The annual dividend yield is high at 8.09%.

Enbridge may be one of the best Canadian energy stocks to buy right now. The firm’s diversified business model combined with its high dividend yield make this stock a great income investment.

Al Monaco, president & CEO of Enbridge, commented on the energy firm’s success in building a diversified energy company to withstand oil price volatility:

> “Over the last three years we have been focused on building an even more resilient business, which put us in a strong position coming into 2020, pre-COVID. We’ve materially diversified the business mix to natural gas, sold our gas gathering and processing business and significantly reduced leverage while moving to an equity self-funding model. We have also simplified our corporate structure, reduced overhead and successfully executed $30 billion of capital projects.”

If you want to invest in high-dividend energy stocks, Enbridge is probably a great decision. While geopolitical and economic pressures represent risk to the stock’s price, this company has taken crucial steps to overcome these challenges. Moreover, the stock invests in renewable energy sources, which will fuel valuable growth and innovation for shareholders.

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Date
2025/08/15
Date Created
2020/09/29
Author
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