



2 Top TSX Energy Stocks to Buy in October 2020

Description

In general, energy stocks might not be the best option for your Tax-Free Savings Account or Registered Retirement Savings Plan. Nevertheless, this determination really depends on the business model. It matters whether the stock invests primarily in upstream, midstream, or downstream operations.

In other words, there could actually be some strong performing **Toronto Stock Exchange** energy stocks to buy in the next month.

Here are two top TSX Energy stocks to consider buying in October 2020 or at least put on your watch list.

TC Energy: An insulated energy stock to buy in October

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) fell to \$47.05 during the March market sell-off from a 52-week high of \$76.58. At the time of writing, investors are trading the stock for \$57.83 per share. The dividend yield is strong at 5.60%, and it might actually be worth the risk.

The dividend on TC Energy stock is fantastic, and the company has advised even further growth in dividends in 2021. TC Energy has set expectations for 8-10% annual dividend growth for next year. For 2022, shareholders may expect 5-7% dividend growth.

TC Energy builds and operates energy infrastructure in North America including natural gas pipelines, storage facilities, and power-generation plants. One week ago, TC Energy made an offer to acquire **TC Pipelines's** outstanding common units. TC Energy would exchange 0.650 common shares of TC Energy for one share of TC Pipelines, or US\$27.31 per unit as of TC Energy's closing price on October 2.

The great thing about TC Energy is that its business model is largely insulated from this year's oil price volatility, according to the company's management team. For the second quarter of 2020, the firm reported a net income attributable to common shares of \$1.3 billion. That is \$1.36 per share. By

comparison, TC Energy reported a net income of \$1.1 billion, or \$1.21 per share, in 2019.

Currently selling for a price-to-earnings ratio of 12.56, the TRP stock is trading at a very good price. Because it is still trading at well under pre-pandemic levels with growing dividend expectations, this energy stock might actually be a buy. The fact that the company is growing net income and emphasizing its [resilience](#) in periods of oil price volatility makes this one of the top TSX energy stocks to buy in 2020.

Pembina Pipeline: A potential buy for the strong dividend yield

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) fell to \$15.27 during the March market sell-off from a 52-week high of \$53.79. At the time of writing, investors are trading the stock for \$29.07 per share. Income investors might want to consider this stock for the 8.67% [dividend yield](#) while weighing the price risk of owning the stock.

Pembina Pipeline is a midstream service provider that offers marketing, storage, processing, and oil transportation in North America. The primary risk in owning this stock is the firm's marketing activities. After oil prices crashed earlier this year, the firm suffered a decrease in revenue of \$649 million in its Marketing & New Ventures segment.

Luckily, the firm also saw an increase of \$85 million in revenue for pipelines and a \$14 million increase in facilities. These segments assisted in offsetting the change in revenue from the prior quarter to a decrease of around \$540 million. Given the greater sensitivity of this company to changes in the price of oil, this may be one energy stock that you should avoid in October 2020.

Nevertheless, the stock is selling for a fairly low price, and the dividend yield is very attractive. Income investors could consider putting this stock on their watch list and waiting for a good time to buy.

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TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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Date

2025/08/15

Date Created

2020/10/18

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