Income-Seeking Investors: 3 Biggest Canadian Energy Stocks for 2021

Description

The vaccine news early this week encouraged global energy markets. Oil demand is still way below normal this year due to mobility restrictions amid the pandemic. However, if you are a long-term investor, betting on beaten-down Canadian energy stocks should be a wise move right now. Oil should reach some respectable levels in the second half of next year. The discount on Canadian energy stocks will likely evaporate by then.

Suncor Energy

Integrated energy giant **Suncor Energy** (TSX:SU) trimmed its dividends early this year, which was a very fitting move to weather the crisis. Suncor Energy stock offers a juicy yield of 4.4%, higher than the Canadian broader markets at large.

Even if energy markets remain weak, further dividend cut seems unlikely in the short to intermediate-term. It has a strong balance sheet with reasonable leverage. Suncor's breakeven point is well below current crude oil price levels of $40 per barrel. Thus, an expected oil price recovery will likely improve its margins and shareholder returns.

Suncor Energy's integrated business model should fuel a relatively faster recovery in the post-pandemic environment. It produces oil from its oil sand assets, refines it in its own refinery and markets the finished product through its outlets. The presence at each node at the energy supply chain should bode really well for its earnings growth once oil demand normalizes.

Suncor Energy stock has lost approximately 60% so far this year. It is trading at a price-to-book value ratio of 0.8 times. The discounted valuation and juicy yield should attract bargain hunters.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ), the country's biggest energy company by market cap, is my second pick for energy investors. It has played the crisis relatively well, and the stock has lost 35% so far this year. It is trading at a price-book ratio of 1x and looks fairly valued.

Canadian Natural is a low cost, integrated energy company and has a diversified product base. Along with crude oil, the company also engages in natural gas and natural gas liquids production. Due to higher natural gas prices during Q3 2020, Canadian Natural reallocated its capital to procure high-value liquids-rich gas assets.

The company has a strong liquidity position, which allowed it to maintain dividends despite the dreadful pandemic this year. It is trading at a dividend yield of 6%, higher than its historical average. If you think oil prices will improve in the next few years compared to current levels, consider high-yielding Canadian Natural stock for your long-term portfolio.

Enbridge

Top midstream energy company **Enbridge** (TSX:ENB)(NYSE:ENB) has a relatively lower exposure to volatile oil and gas prices as against the above-discussed names. It is a pipeline company and earns a fixed contract fee for the transported oil and gas.

That's precisely why global energy giants plunged deep in the losses, while Enbridge managed comparatively better earnings this year. Enbridge is also one of the very few companies that have kept its guidance intact for the year 2020. It maintained consistent dividend growth for this year. It yields 8.3% right now, one of the highest among Canadian giants.

Enbridge is a classic defensive stock that pays handsome dividends and is currently trading at an attractive valuation. Long-term investors can consider it as a passive income stream for a lifetime.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
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vinitkularni20