



2 TSX Stocks to Play the Crude Oil Price Rally in 2021

Description

The year 2020 was undeniably a relentless year for the energy sector. Crude oil prices tumbling deep negative, then the oil price war and a grave demand drop amid the pandemic were some of the last year's highlights. But the worst seems to be over for the disliked oil and gas space. The year 2021 could be a banner year and might make up for the energy investors' losses in the last few years.

Long-pending energy market recovery

Crude oil has breached \$50 a barrel levels this week for the first time since February 2020. Interestingly, the U.S. Energy Information Administration has recently upped its [forecast](#) of Brent oil to \$49 a barrel for the current year from \$43 per barrel earlier. The ongoing crude oil price rally might get a firmer push once economies re-open and vaccine reaches a large global population.

Notably, the oil and gas sector is one of the most important sectors in Canada. Rising energy commodities is great news for Canadian energy titans. **TSX** energy stocks have risen around 8% on average this week on rising oil prices.

Interestingly, considering the deep trough the energy sector went through last year, the rally can well continue in the future. Here are two [top TSX stocks](#) to play the crude oil price rally in 2021.

Suncor Energy

The country's biggest integrated energy giant, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) had a decent recovery in the last couple of months. The stock has rallied almost 60% since late October.

Suncor Energy produces synthetic crude oil from oil sands. Along with oil production, Suncor has large downstream assets that look after selling the fuel at its retail outlets. Its financials could notably improve this year as economies re-open amid vaccine distribution.

Suncor Energy stock yields 4% at the moment. It trimmed shareholder payout last year when cash

retention became vital for the company. Importantly, Suncor's break-even point lies way below current crude oil prices. Thus, rallying oil prices could continue to push its earnings and stock higher.

Though returning to profitability could take time, Suncor Energy stock could soar on the strong balance sheet and improving energy demand. The stock is still trading at an attractive valuation, which suggests more upside.

TC Energy

A \$50 billion energy pipeline company **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is another stock to play the energy market rebound in 2021. Though crude oil prices do not significantly influence pipeline stocks, TC Energy's discounted valuation indicates a large room for growth.

Higher energy commodity prices encourage producers to pump more oil and gas, which ultimately means more business for pipeline companies like TC Energy.

Apart from the oil and gas pipelines, TC Energy is involved in power generation as well. It has stable cash flows that facilitate stable dividends. That's why it has managed to increase dividends for the last 20 consecutive years.

TC Energy stock is currently trading at a dividend yield of 6.2%, notably higher than TSX stocks on average. It is still trading 30% lower than its pre-pandemic levels. With a juicy dividend yield and decent capital gain prospects, TC Energy stock offers a solid total return potential for 2021 and beyond.

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2. NYSE:TRP (Tc Energy)
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