



Got \$1,000? 2 TSX Stocks to Play the Crude Oil Rally

Description

Everything is rallying these days. Stocks are close to all-time highs, Bitcoin is at peaks, and even the Canadian housing market continues to heat up. Another one that is stealing the focus in 2021 is the crude oil rally.

West Texas Intermediate (WTI) crude oil is sitting at hefty gains and has crossed psychologically significant levels of US\$60 this week. A few **TSX** stocks stand to benefit amid the rally. Investors sitting on some extra cash can consider betting on these Canadian energy giants for decent long-term gains.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock witnessed some upturn after its quarterly earnings early this month. Despite an unprecedented loss in 2020, the company could see a decent recovery this year.

Suncor Energy management clarified its focus points for 2021, which are debt repayments and share buybacks. Both will unlock shareholder value in the long term. Thus, the oil price rally and Suncor Energy's solid fundamentals could corroborate [a solid combination for its shareholders](#).

Oil demand is already recovering this year, mainly from Asia. The developed economies, too, could see higher energy demand in the latter half of 2021. Integrated energy giant Suncor could remarkably benefit due to its widespread presence in upstream and downstream operations. Notably, its lower cost base and diversified revenue profile should fuel a relatively faster recovery.

Suncor Energy yields close to 4% at the moment. Although it trimmed dividends last year, any additional cuts seem highly unlikely. Its strong balance sheet and disciplined capital management, especially last year, will help it continue with regular shareholder payouts.

Warren Buffett backed-SU stock is still trading almost 40% lower than its pre-pandemic levels. The stock should see handsome upside in the next few quarters, driven by potential earnings growth and rallying crude oil prices.

Canadian Natural Resources

Another TSX stock that I like a *tad* more than Suncor is **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). Higher dividend yield, reasonable valuation, and stronger balance sheet make CNQ an attractive investment proposition for long-term investors.

When energy giants went defensive and trimmed dividends amid the pandemic last year, CNQ stood tall and kept on [increasing](#) shareholder payouts. It yields 5.5% at the moment and pays reliable dividends.

The low-cost upstream energy company CNQ has a varied product base that includes natural gas, light and heavy crude oil, and natural gas liquids. Oil and gas prices could continue to remain at elevated levels against 2020, driven by improved outlook and returning demand. Thus, we might see reasonable earnings and dividend growth for CNQ in 2021.

CNQ stock has soared more than 15% this month on rallying energy commodities. Notably, the stock is still trading 20% lower against its 52-week high last year. The stock looks like an appealing bet mainly due to its discounted valuation and compelling dividends.

Bottom line

Energy is one of the most despised sectors in broader markets. However, not all energy stocks are terrible. SU and CNQ have strong balance sheets that can weather the crisis, which they exhibited last year. Shareholders should reap sizeable gains over the long term with their handsome dividends and potential earnings recovery.

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1. Coronavirus
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TICKERS GLOBAL

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

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Author

vinitkularni20

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