TFSA Investors: 2 Energy Stocks That Could Churn Out Massive Returns

Description

The onset of COVID-19 and the subsequent market crash created many opportunities for value investors seeking high-quality companies at attractive valuations. The miraculous rally in the months after the crash wiped out most of the excellent deals. Many stocks appear to have entered overbought territory, barring a few exceptions.

Savvier Canadians who know how to find value stocks in markets that seemingly do not have any will need to have a keen eye. While most sectors recovered well, the energy sector remained battered after the market crash. As the pandemic situation develops, there may be excellent opportunities that many Canadian investors could be missing out on.

I will discuss two reasonably priced or even undervalued energy sector assets you can consider adding to your portfolio for massive returns.

Top Canadian dividend stock

Enbridge (TSX:ENB)(NYSE:ENB) is unlike most energy sector companies in Canada. The company does not generate revenue by producing oil — it simply provides transportation for crude oil from energy companies to refineries and takes a fee for its service.

The oil pipeline is effectively sheltered from commodity price volatility due to its business model, but its revenues took a hit last year as fuel consumption declined. Enbridge is currently seeing the demand for its services improve. As the pandemic travel restrictions come to an end and fuel demand recovers, Enbridge could see massive cash flows.

The International Energy Agency (IEA) predicted gasoline demand should return to pre-pandemic levels by the end of 2021.

Airlines will increase flights and drive demand for jet fuel; office workers might return to their desks and further increase the gasoline demand. Enbridge is trading for $45.57 per share at writing, and it sports an inflated 7.33% dividend yield that you could lock in to leverage its capital gains and dividends.

Cheap energy stock

TC Energy (TSX:TRP)(NYSE:TRP) is more like Enbridge than other energy companies. The energy infrastructure company's core business includes broad networks of natural gas transmission lines across Canada, the U.S., and Mexico.

The company's strategic acquisitions and organic growth over the last two decades make it well positioned to capitalize on the increasing natural gas demand. Natural gas is considered a better alternative to coal for energy production, and many nuclear plants prefer natural gas over coal for future power projects.

The global market for liquified natural gas (LNG) also provides growth opportunities for North American gas producers. TC Energy has the infrastructure to play a pivotal role in moving natural gas to LNG terminals for export to meet the growing demand.

TC Energy is trading for $57.08 per share at writing, and it sports a juicy 6.08% dividend yield that you could leverage to generate passive income while you wait for its capital gains to provide you with further returns.

Foolish takeaway

The improving COVID-19 situation due to the vaccine rollout presents a hopeful situation for energy sector operators, and investors could see massive returns. It could be an ideal time to add companies like Enbridge and TC Energy to your portfolio to take advantage of the energy sector's revival.

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