3 Top TSX Stocks to Buy Amid the Crude Oil Rally

Description

Crude oil breached the crucial US $65 per barrel levels today on the re-opening hopes. The economic activities in the U.S. and Europe will likely improve in the next few months as restrictions loosen. The optimism in oil could boost **TSX** energy stocks, which already have outperformed broader markets.

At the same time, some of the top oil importers like India are still struggling to restart amid the more devastating second wave. So, that could hinder crude oil's rally in the short term. If you have overlooked the energy sector just because of its long saga of underperformance, here are three **TSX** stocks that could stand stall in 2021.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) was among the very few energy stocks in the country that has stood strong amid the pandemic. Its healthy balance sheet and cost efficiencies played well last year. When all the oil majors were suspending dividends last year, CNQ continued to increase its shareholder payouts.

Its cost efficiencies should help this year too, which will likely generate significantly higher free cash as crude oil hits US $65 per barrel. Canadian Natural is a low-cost producer that has high-quality assets. Its diversified product base and integrated operations bode well for long-term earnings growth.

CNQ stock is up almost 80% in the last 12 months. Interestingly, the stock is trading at a price to book value ratio of 1.4x and indicates a decent upside potential. It yields 5% at the moment, notably higher than TSX stocks at large. It might continue to increase shareholder payouts in the next few years, driven by its earnings stability and strong balance sheet.

Whitecap Resources

A relatively smaller Canadian energy company **Whitecap Resources** (TSX:WCP) is well placed to benefit from the crude oil rally. Its disciplined cost management and operational efficiencies notably improved its free cash flow in the last few quarters.

In Q1 2021, Whitecap Resources reported a net income of $19.6 million against a steep loss of $2.1 billion in Q1 2020. Its recently completed acquisitions of NAL Energy and Kicking Horse Oil & Gas should boost its consolidated production and help accelerate earnings growth in the next few years.

Higher production and higher realized prices will likely boost Whitecap's free cash flow growth in 2021. Notably, the company expects a free cash flow of approximately $550 million if crude oil prices stay close to $65 per barrel in 2021.

Whitecap has a strong liquidity position and manageable leverage. It pays monthly dividends and yields 3.3% at the moment. Since last March, the stock has created a sizeable wealth for its shareholders, gaining more than 500%.

Enbridge

If you are looking for a more stable, dividend-paying stock, consider **Enbridge** (TSX:ENB)(NYSE:ENB). It is an oil and gas pipeline company and has a relatively lower exposure to volatile energy commodity prices. However, as economies re-open post-pandemic, energy infrastructure companies like Enbridge should see higher demand, translating into higher revenues.

ENB currently yields 7%, almost double than TSX stocks at large. It has increased dividends for 26 straight years. Its low-risk, fixed-fee contracts make its earnings stable, enabling stable dividend payouts for shareholders.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ENB (Enbridge Inc.)
5. TSX:WCP (Whitecap Resources Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media

6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

Date
2025/09/14
Date Created
2021/05/04
Author
vinitkularni20