



## 2 Canadian Energy Stocks That Could Lead the TSX Index to Outperformance

### Description

The **TSX Index** is going into the second half of 2021 in a profound position of [strength](#), now up an incredible 15.5% year to date. Led higher by strength in commodities, specifically oil, and the financials (the big banks), the perennial underperformer that is the Canadian market has a real shot at beating the **S&P 500**. It's going to be a very close race to the finish line, however, with the top American benchmark currently up by 15.6% year to date.

Undoubtedly, many pundits don't see the incredible strength in various commodity prices as sustainable. On the flip side, the bulls aren't ruling out more of the same in the second half. With sights set on US\$100 WTI (West Texas Intermediate) prices, the TSX certainly looks like the horse to bet on. Personally, I think WTI could make a move for US\$85, which could pave the way for continued outperformance in top Canadian energy stocks and the energy-rich TSX Index.

In this piece, we'll have a closer look at two surging Canadian energy stocks I'd bet will continue their strength well into year's end. Without further ado, consider **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)), two energy picks that appear way too cheap, given the ever-improving industry environment.

### Suncor Energy

Suncor is an integrated energy kingpin best known for Warren Buffett's former favourite play to bet on Canada's oil patch. Although the Oracle of Omaha has thrown in the towel on the well-run Canadian energy producer, I think it would be unwise to follow in the man's footsteps.

Not to take anything away from Warren Buffett, though, as he's still an investment legend and a genius, despite **Berkshire Hathaway's** recent bout of [underperformance](#) over the short term. That said, Buffett has had his fair share of stumbles in 2020. Giving up on the airlines earlier last year proved to be a costly move. As Suncor stock picks up traction on the back of higher energy prices, I think Buffett's Suncor sale could also be a regretful decision.

Why?

Suncor is a wonderful business with incredibly operationally efficient managers. Nothing has changed about that. The Canadian energy stock remains quite depressed, and although the dividend was freshly cut last year, it'd be unwise to discount the firm's dividend-growth potential over the next five years, as the winds move from Suncor's head to its back.

The 2.8% yield is below average, especially versus most other hard-hit energy producers. But as oil continues its ascent, investors should get ready for some generous dividend hikes alongside some nice capital gains.

## TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) isn't just your run-of-the-mill pipeline play. It could be one of the best-managed midstream operators on this side of the border. Like Suncor, TC Energy stands to benefit from higher energy demand. Unlike Suncor, though, TC Energy boasts a lofty dividend that survived the worst of COVID-19's impact. The yield stands at 5.5% today and is well positioned to grow as new projects come online.

The stock is up 21% year to date, which, while impressive, leaves way more runway to the upside, even if WTI prices were to move no higher than US\$73 by year's end. The robust dividend, the geographically diversified cash flow stream and the modest valuation on shares, I think, makes TRP a great buy. Sure, TC is a Canadian energy stock, but I view it as more of a "Steady Eddie" utility play, making the name a compelling option for investors sick of low rates.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

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2. NYSE:TRP (Tc Energy)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TRP (TC Energy Corporation)

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