2 Top Energy Sector Picks to Buy Today

Description

2020 was a fantastic year for high-growth stocks in the tech sector. The sector has seen a pullback of late, and the energy sector has replaced the tech industry in terms of boasting the best-performing assets in the Canadian stock market this year.

Several reasons have contributed to a significant boost for the energy sector. The higher demand for oil and gas as the pandemic begins to subside is increasing the value of energy producers.

Until the supply can catch up to the increasing demand, the energy sector could prove to be quite lucrative for investors who make the right investment decisions.

I will discuss two Canadian energy stocks that you should have on your radar today if you want to capitalize on the developing situation in the energy sector.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) should be the first pick for investors interested in capitalizing on the good performance in Canada's oil patch. The large market capitalization stock plays a critical role in heavy oil production in Alberta.

COVID-19 had a devastating impact on the company throughout 2020. Suncor's overall exposure to discounted WCS oil and higher debt load due to the pandemic did not help the company last year.

However, West Texas Intermediate (WTI) oil is now consistently at elevated levels. WTI oil is now at over US$74 per barrel at writing, making Suncor Energy a far more attractive asset to consider. Suncor Energy requires a per barrel cost of roughly US$35 to break even. Given the substantially elevated crude oil prices, Suncor Energy's margins have been enjoying a massive boost.

If oil prices remain near these levels or go higher in the medium term, it could spell excellent news for Suncor and its shareholders.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is another major name in the Canadian oil patch. The company has enjoyed a stellar performance in recent weeks as industry headwinds subsided for the energy sector. The company posted impressive figures in its recent quarter.

Cenovus enjoyed profits of US$200 million after a strong three months. To make things even better, the stock's profits would have been even greater if it did not have to pay US$245 million in integration fees to complete its Husky Energy acquisition.

The higher oil prices, its recent acquisitions, and substantial production growth make Cenovus look increasingly attractive to its shareholders.

Cenovus stock's balance sheet does boast a considerable degree of debt, much like its larger market capitalization peer. However, its higher profit margins due to the current oil prices today make it more of an attractive asset to consider adding to your portfolio.

Foolish takeaway

As things keep improving for the Canadian energy sector, companies like Suncor and Cenovus will continue to do well. If you are a Canadian investor bullish about the improving trend in the Canadian energy sector, Suncor and Cenovus could be ideal assets to add to your portfolio today for substantial long-term gains.

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