2 TSX Energy Stocks to Buy for a Year-End Rally

Description

TSX energy stocks have done most of the heavy-lifting for the broader Canadian index in the first half of 2021. Whether it'll continue will be anybody's guess. With sights set on the US$80-100 mark for (West Texas Intermediate, there's no question that top Canadian energy stocks could continue to make up for lost time after a horrific 2020 of severe underperformance.

Oil and most other commodities are too volatile and unpredictable to forecast over the near- to medium-term. There are just way too many variables that dictate the price of oil. Add an OPEC spat into the equation and the second half of 2021 could be absurdly volatile for oil.

TSX energy stocks look attractive for the second half

All it took was a year and a half for oil prices to go from negative—a shocking an unprecedented move—to the high US$70s. Where it will lie in the range of negative US$40 and US$100 in another six months will be tough to gauge. Regardless, many TSX energy stocks, which took a hit amid oil's latest pullback off its 52-week highs, still look dirt cheap, even assuming oil moves no higher than the US$70 range.

In this piece, we'll look at two Canadian fossil fuel plays I think are the best of bargains here.

Canadian Natural Resources

In case you missed it, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) was crowned as the new king of Canada's oil patch last year. Year to date, shares are up 42%, and the dividend, which was kept intact through last year's hailstorm in the oil patch, has compressed to 4.3%.

Yes, the generational opportunity to buy shares with the swollen yield at a huge discount to book value has come and gone. But I still think the name is worthy of scooping up as its rally looks to continue into the second half.

With crude oil recently plunging over OPEC+ worries, I think investors who missed the boat last year will have a second chance to do some buying.

The TSX energy stock trades at 1.6 times book value and 2.8 times sales. Not a steal, but still pretty cheap, given the calibre of cash flows you'll get from the firm. Moreover, as a $53 billion company, CNQ offers more in the way of stability for those who are easily rattled by the choppiness of the commodity producers.

Cenovus Energy

For those looking to take more risk for a shot at greater rewards, **Cenovus Energy** (TSX:CVE)(NYSE:CVE) is a name worth checking out. For some reason, investors love to give up on the company despite its innovative extraction efforts, which could drive down production costs over time.

The company may have a track record of destroying shareholder wealth, but the deep value in the name can't go ignored any longer — not with WTI picking up this traction. Despite the strength in oil, Cenovus stock is off 13% from its early-2020 high of $13 and change.

While Cenovus is a multi-bagger off the March 2020 bottom, I still think there's a tonne of upside to be had in the name, as it enjoys its re-valuation to the upside on the back of improving industry conditions.

The stock trades at just one times book value, making Cenovus one of the cheapest momentum stocks on the TSX. My takeaway? Don't sleep on the TSX energy stock as oil looks to touchdown with new highs in the second half.

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2. Energy Stocks

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