



## 2 TSX Energy Stocks That Went to the Moon in 2021

### Description

After years of underperformance, the energy sector has brought delight to investors in 2021. Crude oil prices went from negative US\$37 a barrel in April last year to breaching US\$75 levels this month. And, most importantly, the bright picture for energy investors could still be in the making, given the expected superior demand in the post-pandemic world. The recent rally has substantially boosted oil companies' financials since last year. Ultimately, energy stocks have been some of the brightest spots in the markets.

### Top-gainer TSX energy stocks

Top TSX energy stocks **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) have been up 75% and 95% since last November, respectively. Along with energy stocks, broader equities started a new chapter after a vaccine launch in November 2020.

However, the rally in these two bigwigs falls way short when compared to the gains of some small-cap peers. Calgary-based **Obsidian Energy** ([TSX:OBE](#)) stock zoomed to its three-year highs last month, marking a 1,200% surge since November.

The company reported a free cash flow of \$49 million last year against negative free cash in 2019. It expects a similar trend to continue this year, given the bullish sentiment around crude oil. Obsidian forecasts its free cash flow to almost double next year compared to 2020.

The \$280 million Obsidian Energy, formerly known as Penn West Petroleum, is a mid-sized oil and gas producer capable of producing 25,000 barrels of oil per day. It [intends](#) to increase production, become more operationally efficient, and repay debt amid its improving financials.

Another top-gainer TSX energy stock, **Paramount Resources** ([TSX:POU](#)), is up more than 700% since last November. That beats energy bigwigs by a wide margin. The \$2.1 billion Paramount explores and develops oil and gas reserves, mainly located in Alberta and British Columbia.

It aims for a production of 80,000 barrels of oil per day in 2021. Paramount is forecast to generate free

cash of \$140 million this year, driven by higher production and superior energy commodity prices. The company announced its inaugural dividend of \$0.02 per share per month due to improving financials. That represents an annualized dividend yield of 1.5%.

## What should energy investors do?

This is not unusual that Canadian energy biggies have underperformed small-cap peers in one of the epic recoveries in decades. Small-cap stocks generally outperform large caps in bull markets. However, speculation could be behind most part of the small caps' rally, and valuation could hinder their growth going forward. Besides, the volatility in small caps could be brutal and might keep investors at bay.

In comparison, Suncor Energy and Canadian Natural are relatively less volatile. Their stable [dividends](#) could be comforting in uncertain times.

Suncor Energy yields 3%, while CNQ stock yields 4.3% at the moment. Also, their robust balance sheets and scale make them well placed to benefit from the expected energy demand recovery. Canadian Natural continued to increase its dividend — even last year, when global energy peers trimmed or completely suspended their dividends. All in all, these two Canadian energy titans offer a better risk/reward proposition for investors for the longer term.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:OBE (Obsidian Energy)
5. TSX:POU (Paramount Resources Ltd.)
6. TSX:SU (Suncor Energy Inc.)

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