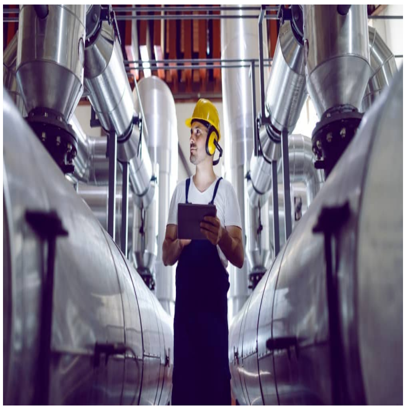

3 Top Energy Stocks to Buy in Late 2021

Description

Energy stocks are seasonally strong during the summer months. Therefore, investors who are looking to buy now are a little late into the game for this year. At the current point in time, it's safer to wait to see if energy stocks will experience more weakness to potentially buy in late 2021.

Most energy stocks are not for buying and holding. They're generally better for short-term trading with investors aiming to buy low and sell high.

For example, take a look at **Suncor Energy** (TSX:SU)(NYSE:SU) stock, a favourite energy stock for long-term dividend investors, until it lost its Canadian Dividend Aristocrat status by reducing its dividend.

Suncor's stock price essentially went nowhere from 2006 to 2019. It roughly traded in the $40 range in that period, although there were ups and downs that investors could have tried trading with market timing.

Don't even think about buying and holding the energy stock. If, in 2006, investors bought the energy stock in the mid $40s and sold the stock at the end of 2019, they would have gotten a 1.1% rate of return. That return is not worth it for the risk taken.

Instead of Suncor stock, investors could consider **Canadian Natural Resources** during dips; it has maintained its dividend-growth streak for two decades. CNQ offers an initial yield of 4.6%.

You can buy and hold this energy stock

There's only one type of energy stock that could be a buy-and-hold investment at the right valuation — energy infrastructure stocks like **Enbridge** (TSX:ENB)(NYSE:ENB). ENB stock provides a sufficient and secure return from its big dividend alone. Therefore, investors need not require price appreciation to earn a decent return.

Enbridge has a strong track record of execution, leading to a solid stock that has delivered 25 consecutive years of dividend growth. It employs a low-risk business model that has allowed it to generate industry- and market-beating total returns in the long run. Management's 2021 distributable cash flow per share of about $4.85, which would imply a sustainable payout ratio of roughly 69%.

At writing, ENB stock yields nearly 6.8%. It's a fair value buy at $49 and change per share. However, if it dips to the low $40s later this year, it would be an even better buy to park your money for long-term income generation.

Buy the dip in Parex Resources

Parex Resources (TSX:PXT) is a very well managed oil-weighted oil and gas producer that enjoys premium Brent oil pricing. Among its Canadian peers, it has the strongest balance sheet with no debt weighing it down.

Parex has consistently executed a stock-buyback program. Only recently did it begin paying a dividend. Its quarterly dividend equates to an annualized payout of $0.50 per share, translating to a decent yield of about 2.6% based on the recent quotation of $19.35 per share.

The recent dip is a good entry point to start buying the quality energy stock. And if it falls further in late 2021, it would probably be a great time to add to one's position for those aiming for price appreciation.

The investor takeaway

If you're looking to make money in energy stocks, consider buying energy stocks like Enbridge that generate quality cash flow to support solid dividend payments at good valuations. Alternatively, you can consider trading strategically in top energy stocks like CNQ and Parex.

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1. Energy Stocks
2. Investing

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