1 of the Cheapest TSX Energy Stocks to Buy for the Dividend

Description

TSX energy stocks are hard to own, even after oil's epic run over this past year and a half.

As West Texas Intermediate (WTI) prices roll over again, Canadian investors are receiving a second window of opportunity to punch their ticket into some of the higher-quality energy plays at a nice discount. Of course, if oil continues to spill below US$60, the falling tide will lower all boats. And while commodities, like oil, are nearly impossible to forecast over the near or long run, given a large number of variables and exogenous events that dictate price fluctuations, I do think that it can pay dividends to scoop up shares of a proven energy play on the way down.

You see, commodity producers tend to overswing to the downside when the price of the underlying commodity begins rolling over. And while it's impossible to get in at the bottom of a plunging stock like **Suncor Energy** (TSX:SU)(NYSE:SU), if the dividend is secure enough and one can average down their position, it's worth getting in on weakness. When there's blood in the Streets, and it seems as though the pain will never end, it can pay dividends to go against the grain.

TSX energy stocks are starting to look ugly again!

Last year, when oil briefly went negative, the energy producers all looked untouchable. While ESG trends will work against the fossil fuel plays for many years, I think the transition timeline to sustainable energy sources is exaggerated. Indeed, TSX energy stocks are a tough hold. But the risk/reward at today's levels, I believe, is even tougher to pass on for value investors looking for a great deal in a stock market that's rewarded speculation over prudent long-term thinking.

Undoubtedly, the tides will turn, and the battered energy plays could have their moment in the spotlight once again. When it will happen is anybody's guess. The best an investor can do is scale down and ensure the dividend they'll stand to receive every quarter will be covered by cash flows, even in a bear-case scenario.

Today, Suncor stands out to me as a TSX energy stock that's way too cheap to ignore in spite of its incredibly unsexy industry.

A solid producer, a brutal two years

It's hard to believe that oil is still above US$60, given the trajectory of Suncor stock these days. Now off around 28% from its 52-week high, the stock has punished those who chased it in the first half on the back of climbing oil prices. The dividend, which was reduced last year, sports a yield of 3.7%. While that's not great, it's certainly reasonable given its above-average growth prospects.

I have no idea when oil will reverse, but investors dson't seem to be willing to wait for the TSX energy stock to turn a corner. And just like that, Suncor finds itself trading at a near 10% discount to its book value once again. I think contrarians would be wise to seize the opportunity, as oil prices are still relatively high.

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