2 Discounted Stocks to Buy As Energy Sector Slumps

### Description

The Bull Run for the energy sector is now over and has been over for more than two months now. If we gauge the sector's performance on the S&P/TSX Capped Energy Index, it hit a peak in mid-June and has come down 21.9% since. That's slightly quicker than its recovery momentum. There might be quite a few reasons for this decline, including a too-fast recovery as well as the fear of the Delta variant.



The latter is also one of the reasons why the oil futures are looking grimmer every day and why crude oil prices have been slipping for the last three weeks. And if the pattern continues, the angle of the energy index declined in Canada might become steeper.

A few energy stocks are already available at a discounted price. If you wait for the sector to decline further and hit the lowest point in the current correction, you might be able to buy at an even more attractive valuation. And there are two stocks that should be on your radar.

## One of the largest energy producers

**Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) has the distinction of being one of the largest independent natural gas and heavy crude oil producer in the country. It's also emerging as a powerful oil sands player and claims to follow environmentally responsible operations protocols.

As a major oil producer, CNQ is naturally susceptible to fluctuations in the energy market. Still, the stock remained quite stable before the pandemic, although the 2020 market crash was quite hard on the company. The stock fell almost 70%, one of the most extensive declines even in the rough energy sector. Still, it showed resilience and was up to its pre-pandemic levels in about 13 months.

Now, the stock is declining again. It has already fallen 15.5% from its yearly peak, and the yield, which is already quite attractive at 4.8%, will become even more so if the stock keeps sliding and become more aggressively discounted.

## An intenerated energy company

**Cenovus Energy** (TSX:CVE)(NYSE:CVE) is an even more heavily discounted energy company. The stock is down 25% from its yearly peak, and the decline is in line with its recovery pace, which was quite remarkable. From its lowest point in the last 12 months to its highest, the stock grew almost 190%.

The company has a well-diversified regional portfolio as it operates in North America as well as the Asia-Pacific region. It's also quite heavy on the oil sands and has four major projects. Cenovus is also a dividend-paying company, but the current yield (0.74%) is too low to be a buying attraction, even after the 25% decline.

If the stock slips down further and you have a chance to buy it at or around its rock bottom value, you might be able to leverage the recovery-fueled capital growth potential.

## Foolish takeaway

If the energy sector keeps sliding down for a few more months, many stocks might become as much or more discounted as they were when the 2020 crash hit. If you didn't buy your favourite energy stocks then, the current correction might offer you great opportunities. The bear market bargains are likely to come with both better yields and recovery growth potential.



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