



## 2 Top Energy TSX Stocks to Buy As the Oil Rally Heats Up!

### Description

Many of us were disdainful of the energy sector, given its underperformance for years. However, since the pandemic crash last year, it has emerged as one of the top-performing sectors. The **TSX Composite Index** has been up 55% since last March, while energy **TSX** stocks at large have gained approximately 190%!

Crude oil and natural gas prices have been largely upbeat for months, driven by demand recovery amid re-openings. Most recently, falling U.S. inventories of oil on the back of Hurricane Ida pushed energy commodities higher.

Among all the supporting factors, another big trigger for energy markets could be the newly issued bullish demand outlook. Major oil forecasters, including OPEC, are quite optimistic about the pace of oil demand growth. It [expects](#) global oil demand to reach 100.15 million barrels by the second quarter of next year, the highest levels witnessed in 2019.

This could be highly bullish for energy producers because the recovery has been faster than expected. However, the pandemic drove investments to renewables, and it was once feared that oil demand might never reach its pre-pandemic levels.

So, if you want to play the potential energy rally, some [TSX energy stocks](#) are still trading far lower than their fair values. Here are two of them.

### Canadian Natural Resources

Canada's biggest energy stock **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) has returned 60% this year. Oil price recovery and record production notably boosted its earnings this year. For the first half of 2021, the company posted a net income of \$2.92 billion against a loss of \$1.6 billion in the same period last year.

Interestingly, CNQ will likely continue to report superior earnings growth for the second half of 2021, mainly due to the low base effect. In addition, encouraging demand outlook should fuel crude oil

prices, further aiding energy companies' bottom lines.

CNQ stock yields a safe 4.4% at the moment. Its robust balance sheet should fuel consistently increasing dividends. Besides, CNQ stock does not look expensive from a valuation standpoint. It is currently trading 10 times its 2021 expected earnings, representing a large discount.

So, for those who have missed the earlier rally in CNQ, it's still not too late. Investors can expect decent gains driven by CNQ's strong earnings growth prospects and stable dividends.

## Whitecap Resources

Many energy stocks have seen massive recoveries since last year. **Whitecap Resources** ([TSX:WCP](#)) is one of them. It is currently trading at \$5.9 for a gain of nearly 650% since March 2020.

Whitecap Resources has been firing on all cylinders with superior earnings growth, strategic acquisitions, and dividend increases this year. So far this year, it has acquired NAL Resources, TORC Oil & Gas, and Kicking Horse Oil & Gas. Higher production, mainly after these acquisitions coupled with rallying commodity prices, will likely continue to boost its bottom line.

WCP stock is currently trading seven times its earnings, which is notably discounted. Investors can expect handsome total returns that were driven by steady capital growth and stable monthly dividends.

### CATEGORY

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3. Energy Stocks
4. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:WCP (Whitecap Resources Inc.)

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**Author**

vinitkularni20

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