2 Canadian Oil Stocks to Buy for a Surge in Demand

Description

The last few months have been presenting a complicated situation worldwide as some countries began reopening their economies amid rising vaccination rates while others were forced to enact further restrictions due to rising Delta variant cases.

The Organization of the Petroleum Exporting Countries (OPEC) is responsible for regulating the production of oil. With the uncertainty regarding the supply and demand for oil, rising oil production may not be considered viable. Rising environmental issues have added to the woes for oil producers and Canada's energy sector took a hit from the combination of uncertainty and environmental concerns.

The OPEC alliance decided to keep restoring crude supply in September with the expectation of a soft recovery in demand over the coming months. As the surge in demand heats up, the Canadian energy sector will likely see an overall improvement in its performance.

Today, I will discuss two undervalued stocks from the energy sector that you should keep a close eye on before the surge in demand sends valuations soaring.

Cenovus Energy

The decline in crude oil prices in June and August led to a significant decline in **Cenovus Energy** (TSX:CVE)(NYSE:CVE) stock's price on the stock market. The Canadian oil giant boasts one of the most significant integrated energy infrastructures in the country, surpassed only by **Suncor Energy**.

During the rise of oil prices at the start of the year, Cenovus acquired Husky Energy in a deal worth almost $4 billion, giving it a substantial boost to its production capacity.

While the dip in oil prices forced a pullback in the company's share prices, the rising demand for oil in Q2 for fiscal 2021 brought its valuation up again. The company's reduced dependence on oil prices due to its integrated structure provides it with a relative degree of safety from volatile commodity prices. However, the overall challenges for the energy sector do have an impact on its performance.

The stock is trading for $11.24 per share at writing and is up by over 18% from last month. It could be the right time to purchase its shares because it is still trading for an 11% discount from its 2021 highs.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is another energy infrastructure company that has had its fair share of challenges. Any capital investments made by energy infrastructure companies in environmental activities provide low returns, but the measures are necessary. The Keystone XL pipeline project led to several issues for TC Energy stock. The whole project looks like potential environmental disaster riddled with oil spills.

After what seemed like forever, the company finally cancelled the pipeline project. The cancellation of such an extensive project led to a decline in its share prices. However, the move should turn out to be an overall positive for the company. All of the money TC Energy had tied up in the project could be used in potentially more profitable ventures.

At writing, the stock is trading for $62.47 per share, down by 4.14% from its 2021 high. The share price is up by 6.51% since August 19 and it could be the right time to buy its shares before it enters overbought territory amid favourable conditions.

Foolish takeaway

If you want to consider getting exposure to the energy sector in anticipation of the world possibly moving on from the pandemic, Cenovus Energy stock and TC Energy stock could be viable assets for you to consider.

While some volatility may remain in the short term due to the changing situation with the pandemic, the passive income you can earn through shareholder dividends from these stocks could provide you with some decent returns on your investment until the sector sees a clearer path to recovery.

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1. Dividend Stocks
2. Energy Stocks
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3. TSX:CVE (Cenovus Energy Inc.)
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