2 No-Brainer Energy Stocks to Buy

Description

The world is experiencing an energy crunch, a stark contrast to the glut a year before when demand slumped so low that major oil producers had to cut down production and oil tankers had to wait days to unload. The supply deficit can be chalked up, in part, to OPEC, which cut production a little deeper than necessary to maintain a healthy supply-and-demand relationship.

Prices are going higher across the globe as a result, and it might be a precursor to another brewing problem. If too many countries/companies flood the market with oil to address the high demand, they can easily tip the scales the other way, but so far, OPEC and other giants are exercising great restraint and are playing it safe.

The high energy demand has invigorated Canada's energy sector, and the energy index is experiencing a sharper spike/growth phase than it did in the last two decades. And if you want to ride this growth wave to wherever the highest point might be, there are two no-brainer and relatively evergreen energy stocks that you should consider.

The energy king

Enbridge (TSX:ENB)(NYSE:ENB), as the largest energy company in the country and one of the largest in North America, is a safer energy bet than many other, more volatile players in the sector. But it's a great buy for another reason: its dividend. The aristocrat has a history of growing its payouts for 25 consecutive years, making it an aristocrat in the U.S. as well.

And since it's an energy-*moving* pipeline company, it's a bit less exposed to market headwinds compared to exploration and refining companies.

The generous dividend raises coupled with a generous 6.2% yield make it an amazing, no-brainer energy stock to bag, especially at its relatively attractive valuation. But a significantly better time to buy this stock would have been March 2020, when the stock hit rock bottom and experienced a 39% fall. You would have been able to secure a much better yield and 67% capital appreciation.

A natural gas company

If you are worried about oil's uncertain future (despite the current spike in demand), and you want to focus on the cleaner of the fossil fuels (natural gas) and energy companies that lean towards it, **TC Energy** (TSX:TRP)(NYSE:TRP) might be a good pick. The company is responsible for a quarter of the natural gas supply (through its 93,300-km pipeline network) to North America.

Its oil business is paltry compared to the natural gas one, but the company is riding the oil-fueled growth wave just the same. It has risen over 10% in the last three weeks alone. The 5.1% yield is also juicy enough, and the valuation, though not as attractive as Enbridge, is fair enough to make it a decent energy investment.

Foolish takeaway

The energy bull market is strongest than it has been in years, and it might take a lot of time to run out of momentum. The longer it takes, the better it would be for buyers who bought it post-pandemic. And even though the dividend side of the two aristocrats is attractive regardless of when you buy them, currently, both are poised for decent growth as well, making the deal even sweeter than a typical dividend buy.

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