2 TSX Energy Stocks to Buy on Weakness

Description

TSX energy stocks have been on a robust rally this year, surging hand in hand with the price of oil. Now that the WTI (West Texas Intermediate) rally has blown off its top, dipping to the US$65 range, investors who missed the run may have an opportune entry point to take advantage of. Indeed, oil — or any other commodity, for that matter — is incredibly unpredictable, making price forecasts difficult. Undoubtedly, many variables are involved with predicting where oil will head over the near, medium, and even long term.

With the Omicron variant still threatening to slow or even halt the economic recovery in its tracks, there's no telling what the impact will be on supply and demand. For that reason, investors may wish to be cautious by easing a toe into plunging energy stocks gradually over time rather than initiating a full position all at once. The recent cooling in oil prices could have further to go. But the following two TSX energy stocks, I believe, are better able to hold their own as WTI makes a move closer towards to US$50 range.

Consider **Suncor Energy** (TSX:SU)(NYSE:SU) and **TC Energy** (TSX:TRP)(NYSE:TRP).

Suncor Energy

Suncor Energy is an integrated energy kingpin that's still miles away from its pre-pandemic high. Undoubtedly, the dividend cut suffered last year was a major reason investors turned against the stock. While playing it extra defensively proved to be a questionable move, given oil's subsequent run off its 2020 lows, I don't think investors should fault the firm for exhibiting an abundance of caution. Indeed, it's much better to be ready for the worst and be dealt the best (or at least a better situation) than the alternative!

With dividend hikes back in play, I view Suncor as one of the cheapest TSX energy stocks to pick up these days. At a mere 20-30% premium to its book value, I think investors are undervaluing the resilience of the firm's cash flows and its ability to ramp up should oil prices remain above the US$60 mark, a level that's likely to hold, even if Omicron wreaks havoc in early 2022.

Undoubtedly, a full reopening could be incredible for energy prices and give a lift to the broader sector. Either way, Suncor has a terrific risk/reward scenario that's tough to stack up with.

TC Energy

TC Energy is a midstream giant that's stuck in a rut, with a stock that's gone virtually nowhere in five years. For investors, shares of the pipeline firm are frustrating to hold. That said, the recent dip in shares is likely overblown, with a swollen dividend yield that's hard to ignore, especially given the past year of relief for the broader energy patch.

The company has its fair share of idiosyncratic issues, but most have likely already been baked into the share price and then some. At the end of the day, you're getting a top-tier company with solid operating cash flows and a lot more in the way of (geographic) diversification versus most other midstream operators out there.

The stock yields 5.9% at writing. Although the stock has been stuck near the $60 range for years, the stage certainly looks set for a breakout at some point down the road. As the technical analysis saying goes, "the longer the base, the higher in space."

TC is one firm that's too well run a business to be kept down at these lows for another five years, making the name a great bet to average into over time.

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2. NYSE:TRP (Tc Energy)
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