Skyrocketing Gas Prices: Buy These 2 Stocks to Take Advantage

Description

With the average price of Dated Brent oil hitting $100 a barrel recently, Canadian consumers have been acutely feeling the impacts of surging commodity prices. Exacerbated by supply chain issues, sky-high inflation, and the Russian invasion of Ukraine, domestic oil and gas prices have surged.

On Friday, March 18, the average gas price across Canada hit $1.70 per litre, with high cost-of-living areas like Vancouver and Toronto seeing up to $2.00/L or more. While consumers are struggling to fill their cars, the Canadian energy sector has been reaping handsome profits.

Year to date, the **S&P/TSX Capped Energy Index** is up 28.28%, easily outperforming the 1.21% increase seen by the broader **S&P/TSX Capped Composite Index**. This comes on the heels of an outstanding previous year for the energy sector, which was up over 80%.

Investors looking to tilt their portfolios should consider midstream oil & gas producing companies, and preferably those that qualify as large-cap, blue-chip companies. Buying established players with solid balance sheets, strong cash flows, and profitable margins is safer than speculating among the small caps.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) explores, acquires, develops, produces, transports, refines, and markets crude oil, petroleum and petrochemical products across Canada and internationally. Its major segments focus on oil sands, exploration and production, and refining and marketing.

Suncor is currently on a bullish streak, having staged a whipsaw recovery from its lows during the March 2020 COVID-19 crash. The stock currently trades at $32.46 a share, which is above both its 50- and 200-day moving averages of $29.33 and $24.26 respectively. With a beta of 1.99, Suncor is nearly twice as volatile as the overall market.

Suncor is a great dividend growth stock, currently paying $1.33 per share with a 4.27% forward annual dividend yield. Unlike some other energy stocks, it has a sustainable payout ratio of 37.91%. This also comes with more cash on hand, better profitability, and excellent year-over-year quarterly revenue growth for 2022.

Imperial Oil

Imperial Oil (TSX:IMO)(NYSE:IMO) engages in exploration, production, and sale of crude oil and natural gas in Canada through three segments: upstream, downstream, and chemical. IMO produces crude oil, natural gas, synthetic oil, and bitumen, with 386 barrels of proved reserves that remain undeveloped as of now.

Imperial currently trades near its 52-week high price of $47.72, at $44.22 per share. It is also trading above both its 50- and 200-day moving averages of $42.64 and $34.18 respectively. With a beta of 2.11, IMO is more than twice as volatile as the overall market, so be cautious if you buy.

IMO pays a lower dividend than SU at $1.08 per share, for a forward annual yield of just 2.50%. The payout ratio is also lower at 29.60%. Historically, Imperial has paid a five-year average dividend yield of 2.46%. In terms of fundamentals, Imperial has also improved its financials, with better cash flow, cash on hand, and quarterly revenue growth.

The Foolish takeaway

Your monthly gas budget might be suffering, but that doesn't mean your portfolio has to as well. Canada's energy sector is well-poised to have another breakout year aided by surging oil and gas prices. By becoming one of their shareholders, you can join in on the growth and keep your portfolio in the green.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:IMO (Imperial Oil Limited)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. tdong

Category

1. Energy Stocks
2. Investing

Date
2025/07/21
Date Created
2022/03/24
Author
tdong