



Should You Buy Energy Stocks After the Recent Rally?

Description

Throughout the first few months of 2022, energy stocks have been some of the best stocks to buy. Due to all the factors impacting the economic environment right now, oil and gas prices have continued to climb higher, resulting in energy stocks becoming some of the top performers.

However, energy stocks have had a tonne of momentum for much longer than 2022. In fact, several high-quality Canadian energy stocks have been rallying since the start of 2021.

But after the massive rally that these stocks have seen — with some stocks even gaining more than 10 times in value already — you may be wondering if it's worth it to buy energy stocks today.

So, here's what to consider if you've been looking at increasing your exposure to energy stocks in the current market environment.

Ensure they're high-quality businesses you can own long term

Because energy stocks have been some of the top performers, some of the best times to buy these stocks have been over the course of the last year. However, even if you missed the opportunity, you can still gain exposure to energy today. The key is to find high-quality energy stocks that you can buy and hold long term.

While much of the growth these stocks have in the short term is now behind them, there is still certainly some upside potential. It's key to find high-quality businesses; if these stocks pull back in the near term, you know you have exposure to a business that's strong and that you can hold for years to come.

Two of those top businesses to buy today include **Freehold Royalties** ([TSX:FRU](#)) and **Peyto Exploration and Development** ([TSX:PEY](#)).

Freehold is a high-quality investment, because it's a lower-risk energy stock that still offers exposure to oil and gas production. It's a stock that's primarily meant for [dividend investors](#), as it pays much of its cash out and is constantly generating tonnes of cash flow.

However, Peyto is one of the best natural gas producers you can buy and hold in the energy industry. Natural gas stocks are already some of the best to buy for the long haul since natural gas is much cleaner than coal or oil and will be a crucial commodity as we transition to cleaner energy over the coming decades.

So, Peyto and Freehold are two of the best Canadian energy stocks you can buy and hold. Plus, they pay attractive dividends offering [yields](#) of 4.1% and 6%, respectively.

Consider dollar-cost averaging if you're concerned about heightened valuations

If you're looking to buy energy stocks, but you're worried that these stocks are expensive, you may want to consider dollar-cost averaging. This can help you to avoid speculating on where energy stocks may go in the near term, and it can also help to take emotion out of investing.

By taking a small position in these energy stocks today and then waiting to buy again for a few months, investors can still gain exposure to these stocks now and have cash on the sidelines in case of a sudden pullback.

So, if you're looking to buy energy stocks in the current market environment, they could certainly continue to perform well in the short run. However, the main focus for investors should be on finding the highest-quality stocks in the industry, since their long-term performance will be much more impactful on investors' portfolios as opposed to how they perform in the coming months.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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