



2 Canadian Energy Stocks to Buy in June 2022

Description

Canadian energy stocks have been riding high on a generational tailwind that may not be so quick to dissipate, as we head into the latter half of 2022. Indeed, it's not a good feeling to chase a stock that's already had such a sizeable move. As a value investor, one may feel the need to shun the market's hottest plays, especially with what happened to the momentum chasers in 2020 and 2021, when the "growth-at-any-price" trade was hot on Wall and Bay Street.

Undoubtedly, momentum can reverse in a hurry, and it won't wait for investors to cash out before Mr. Market looks to claw back the gains that came so easy to investors. Easy come, easy go.

Though Canadian energy stocks may seem like the tech stocks in early to mid-2021, I'd argue that they're not. In fact, unlike many of the high-multiple, unprofitable growth companies that were bid up in 2020 and 2021, only to crash in 2022, the energy plays are still a great value.

Even after doubling many times over in a matter of two years, fossil fuel plays still seem [cheap](#). How? They've dragged their feet for many years. Some have viewed such plays in the Albertan oil patch as uninvestable. Why bet on plunging oil and gas stocks when you could make quick riches in the tech sector? Indeed, the tables have turned in a big way.

Oil prices: From bust to boom

CNBC's Jim Cramer said that oil stocks were in their "death knell" phase when they imploded on themselves back in 2020. Indeed, buying energy stocks when he said that would have been a profoundly profitable endeavour, as oil proceeded to enter a historic run to over US\$110 in the years that followed.

Just over two years ago, when oil prices went negative, I'd encouraged investors to buy thrown-out oil stocks, opening up the possibility of an oil boom that would send WTI above US\$100 again. At the time, it seemed like a far-fetched contrarian call. But these days, the oil plays are a foundation for portfolios, with energy stocks outperforming the broader basket. Even Jim Cramer has embraced oil stocks with open arms.

Is Cramer merely chasing what's hot? Possibly. Regardless, I think there's still plenty of gains to be had in the oil patch. The recent ascent in oil, I believe, has not been fully baked into the share prices of firms like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) or **Cenovus Energy**. The latter play has doubled up many times over, yet could still continue its run, as oil prices remain elevated. The firm is innovating in oil extraction techniques. However, it's the former play that reeks of value here.

Suncor Energy: A TSX energy stock to buy?

Suncor Energy stock is up over 84% over this past year, yet the valuation is still enticing at 12 times trailing earnings at the time of writing. As oil rose, the firm suddenly became a cash cow, like almost every other energy producer out there. The longer the Ukraine-Russia crisis goes on, the likelier it is that Suncor's windfall will stay. Though there's a risk that energy prices could retreat if Russia leaves Ukraine, I'd argue that the impact to WTI prices has already been partially factored into a dirt-cheap name like Suncor.

With a 3.64% yield, Suncor will pay you a handsome dividend while you wait for the firm to continue clocking in impressive profits. Yes, investing in commodity producers comes with risk. But at such a low multiple, I'd argue that the potential rewards heavily outweigh the risks taken on by investors.

With an activist pushing for positive change at Suncor, I'd say now is a great time to be a buyer on strength. Suncor is cheap today and could become even cheaper, as it continues to feel the tailwind of higher oil prices.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. 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. joefrenette
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date

2025/08/25

Date Created

2022/05/31

Author

joefrenette

default watermark

default watermark