



Soaring Gas Prices: 2 Energy Sector ETFs to Buy Now

Description

With the average price of gas at the pumps hitting over \$2 a litre 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.

That being said, the TSX energy sector has benefited handsomely. Year to date, the **S&P/TSX Capped Energy Index** is up 56%, easily outperforming the -3.67% 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. A great way to do this is via an [exchange-traded fund \(ETF\)](#) that hold energy sector stocks. Let's go over my two top picks.

The iShares option

iShares S&P/TSX Capped Energy Index ETF ([TSX:XEG](#)) offers targeted exposure to companies in the Canadian energy sector. The ETF has a total of 22 holdings. The top five holdings of XEG include **Canadian Natural Resources**, **Suncor Energy**, **Cenovus Energy**, **Tourmaline Oil**, and **Imperial Oil**, with the first two stocks at 24.89% and 24.07% each.

Being a capped index, XEG puts restrictions on the weights of each stock at a maximum of 25%. This is to ensure that no single stock can grow so large as to dominate the ETF, which provides better diversification. The ETF costs a MER of 0.61% to hold, which works out to around \$61 annually in fees for a \$10,000 portfolio.

The BMO option

BMO Equal Weight Oil & Gas Index ETF ([TSX:ZEO](#)) tracks the performance of 10 TSX energy stocks. ZEO is equally allocated between 10 stocks, which include **Canadian Natural Resources**, **Suncor Energy**, **Cenovus Energy**, **Tourmaline Oil**, **Imperial Oil**, **Arc Resources**

, **TC Energy, Pembina Pipeline, Enbridge, and Keyera.**

Compared to XEG, ZEO has a much more balanced composition. Each company is more or less equally weighted, which may allow investors to better capture the sector's performance as opposed to the performance of its largest holdings. Like XEG, ZEO costs an MER of 0.61% to hold.

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. Instead of picking stocks, a hands-off approach is to buy XEG or ZEO. By doing so, you gain exposure to a portfolio of great energy sector stocks for little effort.

CATEGORY

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2. Investing

TICKERS GLOBAL

1. TSX:XEG (iShares S&P/TSX Capped Energy Index ETF)
2. TSX:ZEO (BMO Equal Weight Oil & Gas Index ETF)

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