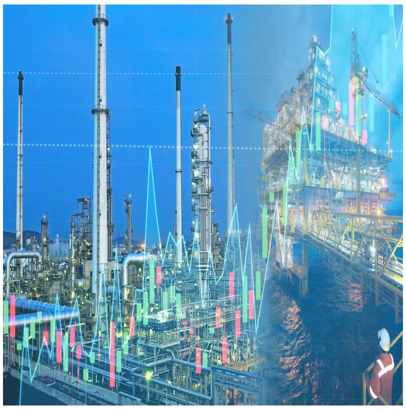

# Market Correction: Time to Take Profits in TSX Energy Stocks?

## Description

The TSX Index plunged violently on Thursday, as energy stocks took a turn for the worst. Undoubtedly, U.S. president Joe Biden is no fan of the way oil firms are reacting to their historic windfall amid recent gasoline cuts. He wants production and refining to come before margins, and that could cause a bit of volatility across many of the TSX energy stocks that have held up the TSX Index.



The Canadian stock market now seems to be following in the footsteps up the plunging S&P 500 — now down a whopping 24% from its high. Though a move from market correction to bear market is no guarantee, the recent retreat in energy could be a cause for concern, as one of the last things that work in this market looks to finally falter.

## TSX energy stocks follow the rest of the market lower

Undoubtedly, the Fed's recent 75-bps triple hike has not sit well with investors. The move sent 10-year bond yields surging above the 3.3% for the first time in years, making a bad situation that much worse. While oil prices have held steady, the recent broadening of the selloff may represent the one last downfall before the sellers finally get exhausted. Indeed, whenever we have such a quick plunge, there can be a panic-fueled rush of cash. Even robust stocks, like those in Canada's energy patch, can take one to the chin.

So, as the energy trade sinks deeper into a correction, should Canadian investors seek to take profits before they following nearly everything else lower? Or could the recent round of oil and gas selling be overblown, representing an opportunity for long-term thinkers to top up their positions?

Though Biden's recent comments could lead to action against big energy, I think energy is still a sector that holds up firm in this market. The Ukraine-Russia crisis is likely to keep energy prices elevated for a considerable amount of time.

Currently, big oil stocks like **Suncor Energy** (TSX:SU)(NYSE:SU) and **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) look incredibly attractive for dip buyers.

# Suncor Energy stock

Suncor Energy is an underdog in the oil patch. Though shares haven’t run as much as some of its peers in recent years, the stock still plunged 5% on Thursday, as the broader energy trade ran out of steam. Shares of Suncor are down just north of 10% from its high, with an 11.1 times trailing earnings multiple and a 4% dividend yield.

As global energy producers contemplate ramping up on production, which could weigh on oil prices, Suncor is bound to follow the rest of the herd lower. Still, the stock has not had the same magnitude of optimism baked in as some of its rivals. As such, I don’t expect Suncor stock to be nearly as volatile as the likes of a higher-momentum play like CNQ.

# Canadian Natural stock

Canadian Natural took an uppercut to the chin on Thursday, falling over 5.8% on the day. The recent bout of considerable selling pressure has sent shares around 18% from their highs. Despite the quick retreat, the stock is still up more than 66% over this past year. Big gains typically mean bigger losses could follow. Though demand for domestic energy has surged since the war in Ukraine began, it’s really hard to tell what the next stop will be for oil, as governments look to put forth measures to ease the pain at the pump.



At 9.1 times trailing earnings, with a 4.2% dividend yield, CNQ stock seems like a market bargain, as tides begin to turn against it. As the firm continues generating enormous amounts of cash flow, CNQ stock may be quick to return to its market-beating ways.

**CATEGORY**

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