2 TSX Energy Stocks to Buy Before They Heat Up Again

Description

TSX energy stocks slumped over the past week, with oil pulling back from around US$120 per barrel to the US$110 range. Indeed, many high-flying oil stocks corrected by at least 10% in response. Though oil prices are at multi-year highs, I'd argue that there's a strong case that oil can hold its own above the US$100 mark until the Ukraine-Russia crisis comes to a peaceful conclusion. Should oil stay at such heights over the next 18 months, the windfall for many top producers may yet to be fully factored into the share price at this juncture.

Although energy stocks accompany considerable risks in the event that oil experiences a blow-off top, the risk/reward scenario seems good for the average portfolio that's underweight Canadian energy stocks. At the end of the day, commodity plays are a great portfolio diversifier and can help investors navigate this unforgiving bear market. Of course, in the worst bear markets, investors should not expect energy or any other sector to act as a safe haven. Whenever there's a panic-driven rush for cash, anything can sell off, and quite sharply.

Despite the strong momentum behind many energy players, valuations remain incredibly depressed. In this piece, we'll check out two TSX energy stocks atop my buy list after their recent plunge into correction territory (that's a drop of at least 10% from peak to trough).

Suncor Energy

First up, we have **Suncor Energy** (TSX:SU)(NYSE:SU), a well-run integrated energy firm in the great Albertan oil patch. The firm has been a tremendous performer over the past year but is still lacking versus some of its peers. Activist investors are pushing for positive change at the company, and I think they'll be successful, as the firm looks to improve upon operational aspects that could bring a jolt to efficiencies. Factor in the possibility of "higher-for-longer" oil, and shares of Suncor seem embarrassingly cheap at $48 and change per share.

Suncor may no longer be the king of the oil sands, but it's a bargain at 11.2 times trailing earnings after slipping around 16% from its peak. Factor in the 3.9% dividend yield, which seems poised to grow at an above-average rate, and the current entry point seems like a gift more than the start of a rolling over in one of the last sectors that's been working in 2022.

TC Energy

Next up, we have a midstream player in **TC Energy** (TSX:TRP)(NYSE:TRP), which plunged around 12% as a part of its last June swoon. Oil and gas prices may have taken a few steps back, but a well-run midstream like TC Energy is unlikely to be rattled by the fluctuations. If anything, TC should have been better able to weave through recent choppiness in commodity prices.

At the end of the day, demand for domestic energy is at a high point, with sanctions on Russian goods. Indeed, producers need energy transportation to keep up as demand remains robust. At around 20.2 times trailing earnings, the Calgary-based pipeline kingpin, which operates in Canada, the U.S., and Mexico, seems fairly priced. Still, given the industry tailwinds and the juicy 5.4% yield, I'd argue TRP stock is a great buy on the dip for Canadian income seekers looking for a good shot at scoring a positive total return this year.

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joefrenette