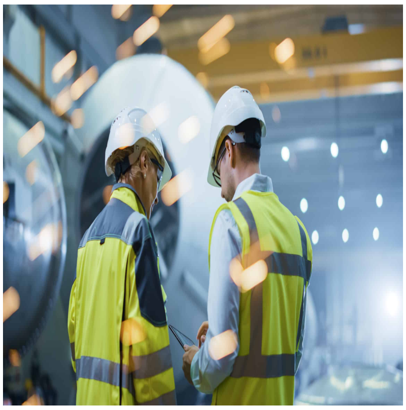

2 Energy Companies to Buy When the Sector Hits Rock Bottom

Description

The energy sector correction has already started. The index has already fallen 22% in this month alone, following the trajectory of the WTI prices, but that's not the only opposing force affecting the energy sector and the index right now. The TSX is trading near its lowest point in the last 12 months. But even as the broad market bounces back, the energy sector may not follow the course.

One of the reasons why the energy sector maintained its remarkable recovery and bullish phase for so long is because the growth was sustained by equally strong financials, and that variable is still present in the equation. Fuel prices are soaring high, boasting the potential profit margins of energy companies. The supply constraint due to Russian oil, another primary cost-driving variable, is still there.

However, the fact remains that the energy sector soared too high too fast, and a brutal correction is highly likely, if not now, then later. And when that correction reaches its maximum depth, there are two energy companies you may consider buying.

A stable pipeline giant

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a very resilient energy stock. It was one of the few energy companies that fully recovered from the sector-wide decline of 2014-2015. And even though it fell pretty hard during the 2020 crash (over 56%), it reached quite near the pre-pandemic level before the current headwinds knocked it down again.

It's already an outstanding dividend stock with a 5.6% yield. And if it falls as hard as it did in 2020, you can lock in a much more attractive yield. Plus, you can count on its slow but reliable recovery potential, even if the energy market as a whole remains relatively stagnant. It also gets more stability points for being a pipeline stock, which is supposed to be less financially vulnerable to oil price changes.

A major energy producer

If you want to bet on an upstream giant, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is a good option. It was one of the most stable and steady energy stocks in the last decade before the post-pandemic recovery shot it through the roof. This large-cap company saw its valuation go up 700% (at its best) from its lowest point in 2020.

It's currently both discounted and undervalued, but it's still trading at a 67% premium to its pre-pandemic peak. This shows that there is still the profound potential for a much harder fall. And the stock will become even more attractive, both for its discounted price/valuation and dividends. The current yield of 4.59% might blossom into a much larger number for this seasoned aristocrat.

Foolish takeaway

The best time to invest in Canadian energy stocks was around mid-2020 when most energy companies hit rock bottom. The subsequent recovery pushed many companies to new heights, with some energy stocks growing over 1,000%. And even if the current or coming fall becomes just as brutal as the pandemic one, the chances of the recovery being on the same level are pretty low.

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2. Investing

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