2 Energy Stocks (With Dividends) to Buy Amid the Market Correction

Description

After rallying consistently for months, Canadian energy stocks have started falling lately due to the broader market selloff. Also, the growing possibility of a recession has triggered concerns about the demand outlook for energy products, taking the prices of energy products downward. However, these demand concerns might be overblown, as economic activities across the globe continue to rise in the post-pandemic world, which could keep the strength in energy demand intact. Given that, the recent dip in energy stocks could be an opportunity for long-term investors to buy them cheap.

Let's take a look at two of the best energy stocks with good dividends that look attractive amid the ongoing market correction.

Suncor Energy stock

Suncor Energy (TSX:SU)(NYSE:SU) is the first dividend-yielding energy stock that I find worth considering right now. It's a Calgary-headquartered oil and gas company with a market cap of $67.7 billion. While SU stock trades with solid 49% year-to-date gains at $47.13 per share, it has seen about a 9% correction in the last month. The stock currently offers a dividend yield of around 3.8%. Given the underlying strength in its financial growth trends, the recent dip could be an opportunity for long-term investors to add it to their portfolios.

In 2021, Suncor's total revenue jumped by 56.1% YoY (year over year) to $39.1 billion with the help of improved demand and business environment. The company reported a solid $2.56 per share in adjusted earnings for the year. In the first quarter this year, it registered a strong 56% YoY rise in its revenue, and its adjusted net profit margin expanded to 20.4% from just 8.6% a year ago.

As the prices of energy products still trade close to their multi-year highs in the second quarter, its financial growth strength is likely to remain intact in the coming quarters, which should help its stock recover fast.

Freehold Royalties stock

Freehold Royalties (TSX:FRU) could be another great energy stock pick to consider right now. The company currently has a market cap of about $2.1 billion and primarily focuses on acquiring and managing oil and gas royalties. FRU stock has seen nearly 13% value erosion in June itself due to a broader market selloff. But it still trades with 18% year-to-date advances at $13.80 per share.

For long-term investors who wish to get regular passive income, it could be one of the best energy stocks to invest in, as it pays dividends on a monthly basis. Its annual dividend yield currently stands at 6.5%.

In the March quarter, Freehold Royalties posted $0.25 per share in adjusted earnings with a 19% sequential improvement. In the last couple of years, the energy firm has accelerated the execution of its North American strategy, which should boost its financial growth in the coming years.

A strong price environment and its North American strategy could be two of the key reasons why Street analysts expect Freehold's earnings to be around $1.30 per share in the full year 2022 — significantly higher compared to its earnings of just $0.53 per share in 2021. These positive factors make it an attractive option for long-term investors after its recent dip.

CATEGORY

1. Energy Stocks
2. Investing

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Date
2025/08/18
Date Created
2022/06/29
Author
jparashar