



1 Energy Stock to Buy and 1 to Sell Right Now

Description

Energy stocks have been fading alongside the rest of the market in recent weeks, thanks partly to the recent recession fears that have weighed on the price of oil. While oil is back above that key US\$100 level again after a bounce off the US\$95 range, questions linger as to what will happen to energy demand come 2023. Arguably, US\$100 per barrel is too high, especially if we are destined for a drastic economic slowdown in the first half of 2023.

Various pundits think oil has run too far, too fast. Even if the Ukraine-Russia crisis keeps oil prices elevated above historical norms, I think that US\$65 per barrel of oil could be in the cards at some point over the next 18 months. Analysts at **Citigroup** seem to think oil prices are overdue for a big plunge. I'm inclined to agree, given oil tends to spike and go bust leading into a recession.

Even if no recession is on the table, oil prices are close to historic highs. Though certain stocks may not expect oil to hold above the US\$100 level, many energy plays could find themselves on the receiving end of the next market-wide pullback.

It didn't take long for energy stocks to go from market leaders to fall into a bear market alongside nearly everything else these days. The economy begins to fade; it may be time to take at least some profit off the table with the hot oil producers, which are likeliest to surrender the ground lost over the past year.

Suncor Energy stock could struggle if oil implodes

Consider shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), a well-run oil giant that's slipped more than 22% from its all-time high. Though Suncor stock is one of the [cheapest](#) of the big-oil batch, I'd argue that past dividend cuts and activist investor involvement could be a cause for relative underperformance moving forward.

Suncor Energy fell over 2% to \$41 and change per share this Monday. Despite the bear market slide, shares of SU are still up 25% year to date. As momentum reverses, count me unsurprised if Mr. Market claws back the significant gains from Suncor shareholders. The firm may be taking steps to improve

operational efficiencies. Still, the gravitational pull of retreating oil prices seems to be the major factor dictating the stock's trajectory.

Though the integrated energy giant is seemingly cheap at 9.6 times trailing earnings (the 4.53% dividend yield is also bountiful), investors may have a better entry point on the horizon if oil does sag below US\$70 per barrel once we are officially in a recession.

TC Energy stock: A better energy stock to buy as oil and gas corrects

For those seeking value in the energy patch, I'd prefer a midstream operator like **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). Pipeline firms are less sensitive than producers to the short-term moves in energy prices. In short, Suncor has a lot more to fret over if oil tanks below US\$100 than TC Energy.

Down around 10% from its recent high, TRP stock trades at just north of 20 times trailing earnings, with a sizeable 5.4% dividend yield. With an enticing \$25 billion capital program in place, TC is well equipped to raise the bar on its payout moving forward. Further, the firm's liquified natural gas (LNG) portfolio is enviable for those seeking exposure to cleaner forms of fossil fuels.

Looking way ahead into the future, it's LNG that could prove a compelling transitional source of energy, as the world gets off filthier fossil fuels en route to a renewable future.

CATEGORY

1. Energy Stocks
2. Investing

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