



## 2 Canadian Energy Stocks to Buy for a Relief Rally

### Description

Canadian [energy stocks](#) have been under quite a bit of pressure over the past several weeks, as oil prices fluctuated wildly. Though a potential 2023 recession may still weigh heavily on energy demand, I think too much recession fear may already be baked into energy stocks at this juncture. Earnings thus far have been incredibly solid.

Though just 10% of quarterly results have been unveiled, it's hard to dispute that earnings have been much better than feared. Could corporate profits be resilient enough to absorb the shock from the Federal Reserve or Bank of Canada interest rate hikes? It's becoming increasingly plausible.

### Energy prices could be ready to bounce back

After a big up day on Tuesday, it seems like oil could stay above the US\$100 level for longer. And the beaten-down Canadian energy stocks may be worth scooping up, as they look to stage a rebound.

Consider shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). These two top producers seem too cheap to ignore after a steep plunge into bear market territory.

### Suncor Energy

Suncor Energy is an integrated energy powerhouse that soared 3.2% on Tuesday, as oil rallied above US\$104. Though shares are still down just north of 23% from its highs, I think there's real value to be had, as the firm looks to see its operating cash flow stream swell in response to elevated energy prices.

The stock trades at 9.55 times trailing earnings, with a 4.6% dividend yield. I think that's too cheap, given the significant changes that could be to come in the c-suite. Indeed, activist investors are pushing for change, not only to improve the firm's safety track record, but to unlock hidden value and regain a more premium multiple relative to its peers in the Albertan oil patch. With CEO Mark Little leaving the company, questions linger as to how many more departures will happen before real cultural

changes can occur.

Suncor is on the hunt for a new CEO, and I think it will find the right person for the job in due time. For now, I'd look to nibble away at the stock here and now before another run-up in energy prices.

## Canadian Natural Resources

Canadian Natural Resources stock bounced 1.7% on Tuesday, as investors applauded quarterly earnings results while shrugging off recession fears. The stock is now down around 26% from its all-time high to \$64.41 per share.

Canadian Natural is fresh off a solid Q1 beat, with EPS numbers coming in at \$2.86 — ahead of the \$2.57 consensus estimate. Revenue came in at \$10.7 billion, thanks in part to the surge in oil prices. Looking ahead, Canadian Natural could have yet another applaud-worthy quarter up its sleeves. Various Wall Street analysts have upgraded the name going into the quarter, citing oil price strength as one of many primary reasons to pick up the stock after its bear market slump.

I think the coming second quarter could act as fuel to propel shares of CNQ toward their highs. At 8.1 times trailing earnings, with a 4.66% dividend yield, CNQ stock is a bargain for passive-income seekers.

### CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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