2 High-Yield Energy Stocks to Buy as a Recession Approaches

Description

Canada's energy sector has been able to prop up the **S&P/TSX Composite Index** for much of 2022 due to soaring oil and gas prices. However, more balanced prices and the threat of a looming recession thrust the TSX into a bear market in the middle of June. Today, I want to discuss the possibility of a recession in the second half of 2022 and look at two high-yield energy stocks that are worth holding in this climate. Let's dive in.

Canada: Is a recession inevitable in 2022?

In early July, **Royal Bank of Canada** unveiled a projection that Canada was heading for a moderate recession. The bank predicted that the recession would be short-lived compared to previous contractions. It anticipates that the combined pressures of a labour squeeze, soaring inflation, and rising interest rates will push Canada into this recession.

We have already seen these conditions have an impact south of the border. Last week, the United States reported its second straight quarter of negative GDP growth. That means that the U.S. has entered a technical recession. However, there is still rigorous debate among economists whether this constitutes a "true" recession. In any case, it may be a sign of things to come for Canada.

This high-yield energy stock has delivered a quarter century of dividend growth

Enbridge (TSX:ENB)(NYSE:ENB) is the first high-yield energy stock I'd look to target in early August. This is the largest energy infrastructure company in North America. Shares of Enbridge have climbed 15% in 2022 as of late-morning trading on August 2. That has represented all the stock's gains in the year-over-year period.

The company unveiled its second-quarter 2022 earnings to close out the previous week on July 29. It posted adjusted earnings of $1.4 billion or $0.67 per common share which was flat in the year-over-year period. Meanwhile, distributable cash flow (DCF) rose to $2.7 billion, or $1.36 per common share, compared to $2.5 billion, or $1.24 per common share, in the second quarter of 2021.

Shares of this energy stock currently possess a price-to-earnings (P/E) ratio of 23. That puts Enbridge in solid value territory compared to its industry peers. Better yet, it offers a quarterly dividend of $0.86 per share. That represents a tasty 6% yield. The company has delivered annual dividend growth for over 25 straight years.

Here's a high-yield energy stock that pays you monthly!

Keyera (TSX:KEY) is a Calgary-based energy infrastructure company. Its shares have increased 13% compared to the prior year. However, this energy stock is still down 2.6% in the year-over-year period.

Investors can expect to see the company's next batch of results on August 4. In Q1 2022, Keyera delivered adjusted EBITDA of $257 million — up from $225 million in the first quarter of 2021. Meanwhile, cash flow from operating activities rose to $457 million compared to $268 million in the previous year. Keyera was bolstered in large part due to the success of its Marketing Business in the first quarter.

This energy stock last had a favourable P/E ratio of 20. Better yet, it offers a monthly distribution of $0.16 per share, representing a very strong 5.9% yield.

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