2 High-Yield Oil Stocks to Buy and Hold on Lower Demand Worries

Description

The cat is out of the bag following the decision of the Organization of Petroleum Exporting Countries (OPEC) and its allies to cut output targets by 100,000 barrels per day (bpd) in October 2022. According to the oil producers, the recent 100,000-bpd production increase was intended only for the month of September.

However, industry experts believe that falling oil prices is a major concern for OPEC+ members. Even if the cut is relatively modest, it should somehow arrest the decline in oil prices. As of this writing, the prices of Brent and West Texas Intermediate (WTI) crude are US$92.84 and US$86.79 per barrel, respectively.

The current volatility in oil prices stem from recession fears due to rising interest rates, slow global economic growth, and a dent in oil demand. If you have exposure to **TSX** oil stocks, are they **Enbridge** (TSX:ENB)(NYSE:ENB) or **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ)?

Both Canadian large-cap stocks are best to buy and hold, even if oil prices and demand are falling. Moreover, their dividend track records make them attractive income stocks.

Low-risk commercial model

Enbridge has been operating in the tough market for 73 years now. In the last 3.01 years, including the oil slump in 2020, the stock's total return is 47.61%. At the current share price of $54.47, the year-to-date gain is 15.47%. Apart from its low-risk commercial and financial profile, the $110.29 billion energy infrastructure company generates predictable cash flows like utility companies.

The cash flows come from four blue-chip franchises: liquids pipelines, gas distribution, gas transmission, and renewable assets. Enbridge pays a fantastic 6.37% dividend, but the payouts should consistently grow owing to its dividend-growth streak of 27 consecutive years.

About 95% of Enbridge's long-term cost-of-service contracts are with investment-grade clients. Moreover, 80% of EBITDA (earnings before interest, taxes, depreciation, and appreciation) has inflation protections. According to its president and chief executive officer (CEO) Al Monaco, Enbridge's dual-pronged strategy aims to expand existing conventional pipeline and export businesses.

Monaco said, "We're executing on our $10 billion diversified secured growth program with almost $4 billion on track to enter service in 2022." He added that the low-risk commercial model supports a transparent growth outlook through 2024. The growing secured backlog should also support growth beyond 2024.

World-class asset base

CNRL also belongs to the cream of the crop in TSX's energy sector. The top-tier energy stock outperforms the broader market year to date at +40.12% versus -6.83%. If you invest today, the share price is $71.90, while the dividend yield is 4.24%.

Its CEO Tim McKay said, "Our world-class asset base is strategically balanced across commodity types." Because of this competitive advantage, CNRL is flexible and can capture opportunities throughout the commodity price cycle to maximize shareholder value.

In the second quarter of 2022, the $82.99 billion oil and gas producer company generated a substantial free cash flow of $3.3 billion. Net earnings grew by 126% year over year to $3.5 billion. Due to the strong quarterly earnings, CNRL paid a special dividend ($1.50 per share) on August 31, 2022.

Inflation hedges

Canada's oil majors Enbridge and CNRL are ideal hedges against inflation. Furthermore, falling crude prices and lower oil demand will not affect dividend payments.

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2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
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