Cenovus Stock May Lift Your TFSA in a Recession Year

Description

Oil stocks may not be sexy, but they could hold the keys to a positive risk-adjusted return in the new year, which may very well accompany a recession. Now, the markets have been in a rut all year over fears that the Federal Reserve will recklessly hike rates until (and potentially after) a recession is sparked. Indeed, inflation has proven more than "transitory," plaguing consumers for almost two years now. With the recent Consumer Price Index numbers coming in hot, there's concern that the Fed will need to hike rates quicker and higher than originally expected. Higher rates are bad news for stocks, bonds, and just about everything else.

It's a tough time to be a new Tax-Free Savings Account (TFSA) investor. However, embracing the market bloodbath could be the way to go, as long as you're willing to roll up your sleeves and put in the homework. At this juncture, energy stocks seem too good to pass up. Their dividends are rich and rising, with a high-energy price windfall that's likely to last many quarters (or years) longer. Despite the recent slip in shares of top energy plays, I view them as less-correlated cash cows to help buoy your portfolio in what's shaping up to be a recession year.

Warren Buffett is a fan of big oil

Warren Buffett is a big fan of the oil stocks for a reason. The fundamentals are solid, and the price of admission remains incredibly depressed relative to almost everything else out there right now. Further, betting on a miner tied to a commodity price can help you reduce your correlation to the broader S&P 500. In today's rocky bear market, that's only prudent to do!

While oil stocks may not be attractive through the eyes of an ESG-friendly (environmental, social, and governance) young TFSA investor, I think there's a lot to gain with the names while they look to improve upon their emissions. Like it or not, many energy firms are taking steps to improve upon their environmental track records. Whether that's through green projects or other initiatives to reduce emissions, the energy stocks don't have to be immoral investments anymore.

Consider shares of **Cenovus Energy** (TSX:CVE)(NYSE:CVE), which recently stumbled into a bear market on the back of falling energy prices.

Cenovus Energy

Cenovus Energy stock has been back on the retreat in recent sessions, now down more than 35% from its all-time highs just north of $30 per share. Undoubtedly, oil has been fluctuating wildly in the US$80-per-barrel range before plunging to around US$75 per barrel. As a more price-sensitive energy company, Cenovus felt the full force of the impact on Monday's turbulent trading day, nosediving more than 4.5%.

While oil could have a bit of room to the downside, I think CVE stock has already priced in a pullback. Though the windfall for energy firms is coming to an end, Cenovus is more than capable of generating huge cash flows with oil in this new depressed range. Cenovus is actually one of the more innovative producers, with new solvent-aided extraction techniques that could improve economics over time.

At 1.6 times price-to-book (P/B), Cenovus is a cheap way to expose yourself to a well-covered 2% dividend yield.

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