



Top Crude Oil Stocks to Buy Amid the Recent Correction

Description

Crude oil prices have fallen 35% since June, plunging from US\$120 to US\$80 a barrel in September. Market participants have largely focused on central bank policies and the combination of rising interest rates and record-high inflation that could result in a global recession.

One crucial factor that's been mainly overlooked in this period is the global energy supply-demand imbalance. The Russian energy supply will likely continue to dwindle by the end of the year due to economic sanctions. Moreover, re-openings in China should remarkably increase demand, causing oil prices to bounce back.

So, this seems like an opportune time to bring the focus back to [TSX energy stocks](#). In the past couple of decades, energy stocks have never been so financially strong. Capital discipline amid steep free cash flows has made them among investor-favourites. The correction seems overdone, and these stocks could soon bounce back. With that said, here are two **TSX** energy names that could skyrocket.

Cardinal Energy

Despite dropping 22% since June, **Cardinal Energy** ([TSX:CJ](#)) stock is still sitting on a handsome gain of 67% for the year. And not just capital gain, Cardinal offers a juicy dividend, yielding 8.3%. That's way higher than Canadian energy bigwigs.

Cardinal Energy is a \$1.1 billion liquids-weighted energy producer. It has high-quality reserves, particularly in the Clearwater play, which will allow it to gain higher margins at current oil prices.

It has managed to trim \$85 million of its debt during the second quarter. And for the next half of the year, the company is expected to allocate more than 50% of its free cash flow to shareholder returns.

These returns will likely be a combination of both dividends and share repurchases. Despite the already high yield, investors can expect more dividend hikes from Cardinal Energy. Plus, an aggressive buyback at these depressed prices could elevate the stock in the short-term.

Substantial improvements on the balance sheet front and reasonable earnings visibility make CJ an attractive bet among energy stocks.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock tumbled 27% since June and is one of the biggest losers among its peers. Suncor is a major player in the Canadian energy sector with a current market cap of \$56 billion. It's mostly known for its oil sands production operations, but it also has significant downstream assets, including four large refineries and a retail business consisting of roughly 1,500 Petro-Canada gas stations.

Suncor Energy recently posted free cash flows of nearly \$5 billion, an increase from \$2.28 billion in the same period in 2021. The company used this incremental cash to repay debt instead of increasing production which resulted in a fortified balance sheet.

Apart from earnings growth and declining debt, Suncor is considering the sale of its non-core assets. This will likely release more shareholder value, as the proceeds will accelerate deleveraging efforts.

As the sale of non-core assets will likely be used to repay debt, more of its free cash flows will be available for dividends and buybacks. Near the end of 2021, Suncor increased its distribution by 100% which was then followed by another 12% hike when the company reported Q2 2022 results. The dividend yield currently stands at a healthy 4.15%.

As stated earlier in the case of Cardinal, energy companies are flush with cash, and their stocks are trading at unjustifiable lows. So, you can bet there will be aggressive repurchasing.

The bottom line

TSX energy stocks are trading at [attractive valuations](#), mainly after their recent correction. Their improving balance sheets and huge earnings growth prospects should fuel their rally from current levels.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:CJ (Cardinal Energy Ltd.)
3. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider

2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. agraff
2. vinitkularni20

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/06/30

Date Created

2022/09/30

Author

vinitkularni20

default watermark

default watermark