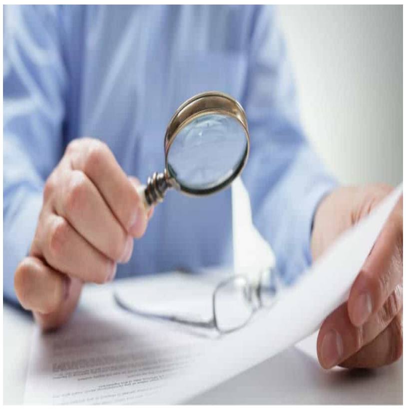

2 Energy Stocks to Watch if the Oil Prices Slump

Description

The Canadian energy sector has experienced quite a revival in the aftermath of the pandemic, and the bullish momentum is still quite strong in the sector. The **TSX Energy Index** still has a long way to go to reach its 2014 peak, but if it continues to grow at this pace in 2023 as well, it *may* reach that mark.

But the question is, can it? There is still a lot of energy supply uncertainty in the market, and now that the focus is shifting from energy security rather than zero-emission, driven by the current geopolitical climate, the demand might keep rising.

This may keep the Canadian energy stocks moving upward for a while, but sooner or later, this bullish trend may fade, and when it does, there are two very different energy giants you should keep an eye on.

The pipeline giant

Enbridge (TSX:ENB) is one of Canada's most recognized and revered dividend stocks, and it has been for quite a while. The company sustained and even grown its payouts after going through some of the harshest economic climates with the rest of the sector. However, dividends have been the primary reason for buying this stock. Its capital-appreciation potential has been modest at best.

Even after the pandemic, when other energy heavyweights went up by triple digits, the stock only grew by about 70% at its best and has already fallen almost 14%. This gradual rise is one of the reasons you should consider Enbridge when the sector slumps following a fall in oil prices.

The stock may not fall as hard as others, at least not on the same schedule, and you might have more time to make a buying decision. And when it reaches the full extent of its slump, you can buy the company at a discounted price and lock in an even more impressive yield than the current 6.2%.

The integrated energy giant

Another stock that would be interesting to track in case the energy sector slumps would be **Suncor** (TSX:SU). The integrated energy giant of Canada is not as "shielded" as Enbridge — a pipeline company with a massive presence in the region — but it has other strengths.

The fact that it controls everything from extraction to fuel stations makes it a powerful entity in the current climate, when fuel prices are nearing sky-high levels.

The winter and OPEC (the Organization of Petroleum Exporting Countries) supply cuts may also give the company a boost in the near future, but if there is a supply surplus instead, the stock may experience a hard blow compared to Enbridge.

Suncor stock's growth after the pandemic was exceptional, as it rose well over 240% in less than two years, and it's currently trading near that peak. If there is a drastic drop in oil prices and demand, its fall may be similar to 2020 one.

One point in Suncor's favour right now is that it's one of the undervalued stocks in the sector.

Foolish takeaway

There is no certainty regarding when and even *if* the energy sector will fall. Even if the oil prices slump, it may take days or even weeks for that impact to be translated into stock prices.

But the sector's rapid rise is quite likely to culminate in a strong correction sooner or later. Until that happens, you can consider buying giants like Enbridge and Suncor at discounted prices for their dividends.

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