2 TSX Energy Stocks I'd Buy Over GICs for Better Returns

Description

2022 was a year where those who lost less came out on top or at least performed better than average. Undoubtedly, many investors are bracing for more pain, as the potential 2023 recession rears its ugly head. Though it's scary to invest or stay invested ahead of an economic downturn, it's worth noting that a lot of the anticipation has already made its way into stock valuations in this bear market. Further, there's a chance markets could bottom out when we're already in a recession.

GICs look tempting amid stock market volatility and recession worries

Nobody knows when we'll look to the recovery. With some folks looking to the Federal Reserve to cut rates in the back half of next year, investors should be ready for anything. Undoubtedly, higher rates have made GICs (Guaranteed Investment Certificates) that much more attractive. Nobody likes to lock in money for more than a year. Still, the alternative is risking capital losses in a run-of-the-mill bond fund or exchange-traded fund. Indeed, with volatility as high as it is, locking money in is far preferable to downside risks.

While cashable GICs are an interesting middle ground, the best rates accompany the non-cashable variety. Though I'm a fan of stocks and their current valuations for long-term wealth creation, I'm not at all against buying a few GICs here at your local bank or financial institution.

Rates are terrific right now, and they may not stay that way forever, especially if 2023 sees chatter of rate cuts. Only time will tell if a recession cuts so deep such that Fed rate cuts are needed. Regardless, investors should ask themselves if they'd be content with a 4-5% risk-free rate if it means potentially missing out on sizeable gains that could follow the end of this bear market.

2023 may be a scary year, but with so much damage already done, it may very well be a positive year for markets, even though many market strategists expect next to nil in the way of gains over the next year.

Arguably, energy stocks are a great way to score less-correlated returns in a recession year. While energy stocks are risky and volatile, they can help further diversify your portfolio and improve your shots at solid results in a choppy year.

Suncor and Enbridge stock: Juicy dividends and gains potential

Consider **Suncor Energy** (TSX:SU) and **Enbridge** (TSX:ENB): two dividend payers that thrived this year and could continue to outperform, as the economy tilts into a recession.

Indeed, it's hard to tell where energy prices head from here. A peaceful resolution to the Ukraine-Russia crisis could take the premium on oil prices right off, and many hot energy stocks could sour in 2023. On the flip side, oil could continue to hold its ground, and producers like Suncor could continue to rake in enough cash flows to continue spoiling investors.

Suncor is a great company, and it remains cheap at 7.33 times trailing price to earnings (P/E), even after a more than 22% pop year to date! The 5.12% dividend yield is also so compelling. Pending an oil collapse, Suncor is a real value stock hiding in plain sight. Yes, there are risks, but I think they're more than factored in at around $40 per share.

Enbridge stock may be a better stock for the income hungry. The stock boasts a 6.66% dividend yield that will likely keep growing in the new year. At 19.67 times trailing P/E, ENB stock is pricier than top producers. Still, its utility-like nature in this environment is respectable. Further, Enbridge's history of resilience should keep income investors buying, as the shares sink and the yield appreciates.

GICs or Canadian energy stocks on the TSX?

GICs are great investments here, but I'd argue there's a lot of reward you'll leave on the table by foregoing names like Enbridge and Suncor at these depths.

There's nothing wrong with settling on a 4.6% rate for a 14-month non-cashable GIC at your bank. However, if you're a young risk taker, there may be more to love about the energy plays at today's levels!

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)
2. 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. joefrenette
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date
2025/07/20
Date Created
2022/12/09
Author
joefrenette