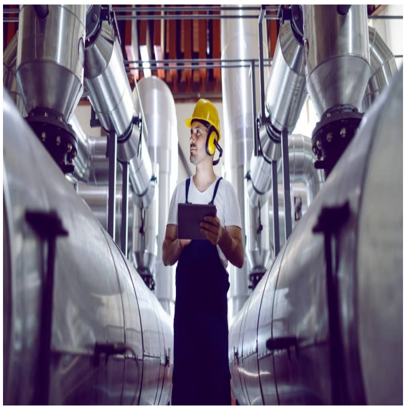

3 TSX Oil Stocks That Could Rise in 2021

Description

While short-term supply issues can add value to oil stocks, it doesn't make for a strong buy thesis. However, there are other reasons to believe that oil could see something of a recovery in 2021. Let's explore three stocks that could benefit from a reversal in fortunes for the black gold in 2021.

Blue-chip oil stocks to buy in the new year

Canadian Natural Resources trades at just over book price and packs earnings growth potential with a high-quality dividend. One of Canada's top producers, CNQ boast an impressive portfolio of capabilities. These cover everything from light, medium, and heavy oil to bitumen, synthetic oil, and natural gas.

Enbridge may be a surer wide-moat play for oil market dominance right now, though. But even with the practically unassailable Mainline network to its name, Enbridge shareholders could still do with a pep talk in 2021. Whether its a bottleneck or a decision by OPEC+ to cut down on supplies in the new year, a boost to oil prices could see Enbridge shares trending higher.

With its focus on synthetic crude, meanwhile, **Suncor Energy** (TSX:SU)(NYSE:SU) stands about as much to gain as anybody from a recovery in oil. 2021 is going to see producers grappling with the aftermath of 2020's energy woes. Volatility is likely to remain a primary characteristic of the oil manufacturing space this year. However, negative prices and the worst of last year's market selloffs should hopefully be in the rear-view mirror.

Indeed, there is a general consensus that 2021 can only be an improvement on the cursed 12-month period that investors just escaped. Suncor sells at book price, for instance, which denotes undervaluation for what is essentially one of the top oil stocks on the TSX. A 3.4% dividend yield is reason enough to recommend this blue-chip name for the casual TFSA investor. But the real kicker is that Suncor trades 50% lower than in did in 2019.

A reversal of fortunes for oil stocks

Timing is key when it comes to buying the top dividend stocks on the TSX. While some of the best names hardly budge, more volatile asset types are far more volatile. Compare rail operators with oil manufacturers, for instance. This is why it makes sense to buy high-quality blue-chip oil stocks during a down market. Yes, growth will be harder to come by. But for now, that means dividends are richer.

Locking in those plump yields could be rewarding for multi-year shareholders. Consider CNQ's 5.6% dividend yield, projected to reduce coverage down to 76% in three years. With earnings growth expected to hit almost 100% annually, CNQ's distribution could prove more reliable than it looks. Enbridge, meanwhile, is well known for its rich yield and is paying 8.2% to shareholders.

While oil has declined somewhat as part of the energy mix, natural gas has rocketed. This means that any business with a sideline in gas has a reliable fallback. Many top oil manufacturers are also getting in on renewables, such as Enbridge's increasing wind-power capability. As such, it's worth bearing in mind both the quality of Canada's major energy producers as well as their access to renewables markets.

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