



Got an Extra \$1,000? 3 Stocks in the Natural Resources Sector to Buy in August

Description

After a brutal March and April, the price of oil has risen significantly. This has provided some breathing room for energy companies, many of whom slashed dividends earlier this year in the face of plunging oil prices. Additionally, gold has rallied to all-time highs in 2020. This has provided a boost for gold miners who suffered during most of the past decade because of falling gold prices.

Many investors are likely wondering if now is a good time to start building positions in these sectors. Not all companies are created equal. However, these three stocks in the natural resources sector are great candidates for a \$1,000 investment in August.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is one of the safest stocks to own in the energy space. This is because Enbridge operates in the midstream segment of the market. This means that Enbridge makes money on the movement and storage of energy products, not the extraction or sale of products themselves. Thus, Enbridge is far less exposed to the price fluctuations in the energy markets.

Enbridge owns one of the few active pipelines connecting Canadian energy companies to markets in the United States. Thus, Enbridge enjoys a relatively wide moat because of how difficult it is to build new cross-border pipelines.

This stable business model means that Enbridge tends to generate predictable and recurring cash flows. This makes the business model very suitable to paying a generous dividend to shareholders. Enbridge currently pays a quarterly dividend of \$0.81 per share.

The company has grown the [dividend](#) at 11% per year over the past 25 years. Enbridge therefore tends to be a favourite among dividend investors.

Suncor

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is an integrated Canadian energy company. This means that the company has production, refining, and retail operations. This makes Suncor less exposed to the fluctuations in oil prices because the company can rely on retail sales and refined products to help offset losses from temporarily low oil prices.

Suncor stands to benefit significantly if oil prices continue to rise. The company's stock price rose above \$50 during times when oil prices were high, such as early 2008. Furthermore, the company paid a generous and growing dividend to shareholders during these times as well, further boosting returns. Unfortunately, Suncor recently cut the dividend by [55% in May](#).

Suncor is not the type of company to buy in hopes of generating a 1,000% return. However, the company's share price could easily double from here if oil prices rise into the \$50-60 range. The dividend, even though it was recently cut, will also provide some additional gains. The quarterly dividend is currently \$0.21 per share.

Barrick

Barrick Gold ([TSX:ABX](#))([NYSE:GOLD](#)) is one of the largest gold miners in the world. The company also engages in copper mining. In 2020, Barrick expects to produce 4.6 million ounces of gold and around 450 million pounds of copper.

As a gold miner, Barrick is naturally exposed quite heavily to the price of gold. The company felt the pains of a falling gold price in the early part of the past decade. Barrick's share price plunged below \$10 in 2015 as the company struggled to cut costs in the face of collapsing gold prices.

However, 2020 has been a much better year for Barrick as the company has begun to significantly enjoy the benefits of a rising gold price.

Barrick's share price reached a high of just over \$50 in 2011 during the last gold bull market. With gold setting new all-time highs in 2020, it is very conceivable that Barrick's share price could double or triple if gold continues to charge upwards over the next year or two.

Takeaway

The natural resources sector has recovered well since the March crash. These three companies should benefit significantly if oil and gold prices continue to rise. All three are great candidates for a \$1,000 investment in August.

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1. Energy Stocks
2. Investing
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POST TAG

1. energy

2. Gold
3. Mining
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