



## Encana Corporation and Enbridge Inc: 2 Energy Stocks With Immediate Upside Potential

### Description

Oil prices have been falling since the summer, and are now trading at multi-year lows, with West Texas Intermediate futures near the cost of U.S. shale oil production. While there is a case to be made for buying oil-related companies right now for their long-term potential, if you want to look at energy stocks that have the potential to immediately appreciate, then **Encana Corporation** (TSX: ECA)(NYSE: ECA) and **Enbridge Inc.** (TSX: ENB)(NYSE: ENB) are your best bet.

### What differentiates these two companies?

What differentiates Encana Corporation and Enbridge Inc. from other energy stocks is their high exposure to natural gas. While oil prices have languished, natural gas is just starting to heating up.

Natural gas is a seasonal commodity with producers producing essentially a flat level of natural gas throughout the year, and storing the excess natural gas in low demand periods for use in high demand periods. This reliance on stored natural gas during peak demand periods can create a lot of fear, and price spikes and we are just entering the time where the highest demand, and therefore the highest prices occur.

Most of the world's natural gas is used by utilities to generate electricity, and in North America the highest electric demand is in the winter, when it is used to heat homes. Typically, natural gas prices start to climb in September as temperatures dip, but this pattern was not seen this year.

This year, an extended Indian summer caused natural gas price to remain weak, but this all changed last week when forecasts showed temperatures were going to dip, natural gas prices jumped to about \$3.87 per million British Thermal Units. Earlier in the month, natural gas prices bottomed at just \$3.60 per million British Thermal Units.

Now, while oil prices will likely struggle through the winter, natural gas prices will appreciate, a welcome relief for energy producers feeling the pinch of lower prices. My top picks of companies poised to benefit from this are Encana and Enbridge.

### **Encana Corporation**

Encana Corporation produces, transports, and markets natural gas, oil, and natural gas liquids, but its production is heavily weighted toward natural gas. The company's stock has enjoyed a rally since mid-2013 when investors started to cheer some of the new business strategies being employed by the company's relatively new leader.

Since October, however, the company's stock has taken a slip. This, in my mind, has done nothing but open up an opportunity to purchase a company with solid long-term potential, in addition to the potential to immediately appreciate compared to its energy sector counterparts, at a lower price.

### **Enbridge Inc**

Enbridge's main business is transporting energy. The company operates the world's longest crude oil and liquids transport system, but it's the company's natural gas assets that could push the stock higher in the coming months. Enbridge's exposure to natural gas includes pipelines, processing plants, treatment plants, a fractionation facility, and compressor stations in North America.

The company owns Canada's largest natural gas distribution company and is expanding its transmission and midstream business. Enbridge's stock has also declined since October, another buying opportunity in my books, and with perfect timing, right before natural gas prices experience their seasonal climb.

Not ready to gamble on energy stocks? Here's a company our top analysts think will appreciate in the short, and long run.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

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