Should You Buy Crescent Point Energy Corp. and Pembina Pipeline Corp.?

Description

Oil prices made another new five-and-a-half-year low, touching $52.81 on the first trading day of 2015. Prices continue to be volatile. According to Bloomberg, the commodities index is down for the fourth year in a row (the longest streak since 1991).

However, for equity markets in Canada, the end of 2014 was kinder, as the traditional Santa Claus rally made its presence felt. The Santa Claus rally runs typically from December 15 to January 5.

With crude around $52 a barrel, no one knows where the bottom will be. Some say $40, some believe it will be even lower. Some OPEC countries (namely the United Arab Emirates) said they will continue to produce oil even if it falls to $40. But as Saudi Arabia's King Abdullah is currently in hospital, some analysts believe that this may be the turn around for oil supply and prices.

The bottom line is that it's anybody's guess where the price of oil will bottom and begin to climb higher.

So what do investors who want to get in on the energy sector do?

I recommend buying any of the blue-chip energy companies Canada has to offer. As long as they have strong balance sheets and good management, investing in any of them is a good bet.

Having said that, I'd still wait before buying into the space. I'd wait for the price volatility to pass and once things are a tad more stable, I'd place my money into the sector.

Once that happens, there are two companies I'd be interested in looking at:

Crescent Point Energy Corp.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) has been a market darling for years and has a fantastic track record. It is still one of the biggest growth names in the Canadian shale oil space compared to oil sands. Shares of the company are up about 25% in the last 10 days and its dividend is over 10%, causing shareholders to worry whether the company will join the parade and cut itsdividend. While there is a huge chance that the move may come, there is also a huge chance that itwon't.

Since Crescent Point considers its dividend sacred, it would cut it only as a last resort. A few analysts believe that unless oil prices stay between $50-55 for over six months, only then will the company slash dividends. Only time will tell. But this is an extremely well run company and every long-term investor should consider adding it to their portfolio at some point. I would find it attractive once the stock goes down a little further, to about $20.

Pembina Pipeline Corp.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA) has had a steady record for a long, long time. The company is one of Canada's leading pipeline companies and is the third largest provider of transportation and midstream services to the nation's energy patch. Pembina has huge growth potential as it announced a number of energy deals a few months ago. It will be building a West Coast propane export terminal in Portland, Oregon, and has also acquired an ethane pipeline in North Dakota.

Additionally, the company says it plans to develop a 37,000-barrel-per-day export facility in Portland worth roughly US$500 million. It also transports 50% of Alberta's conventional crude and 30% of Western Canada's NGLs. The company has projected dividend for 2015 at $1.78.

Having said all that, I'd wait for a little more stability in oil prices before I jump in. Hopefully that stability will come sooner than later.

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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:VRN (Veren)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:VRN (Veren Inc.)

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