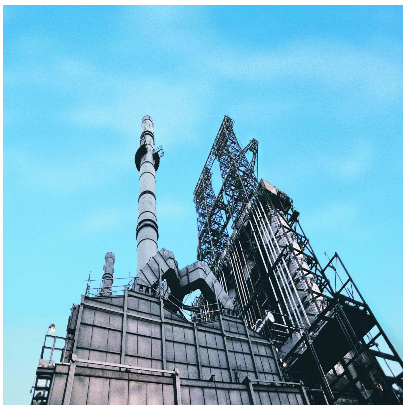

Is More Pain in Store for Canadian Natural Resources Limited?

Description

Oil prices have fallen under US$45, which is the lowest they've been since November. There's still a global glut right now, and it appears that oil prices could remain at a lower level for longer as non-OPEC members continue to increase production, further adding to the glut.

The general public is turned off by Canada's energy sector right now, and foreign investors continue to dispose of their oil sands assets. The oil sands are quite expensive to operate and the carbon footprint is large, so there's a possibility that the federal government will implement a hefty carbon tax before oil prices can rebound. To add more salt to the wound, President Trump has publicly criticized Canadian industries, including the energy sector.

There's a cloud of uncertainty following the companies operating in Alberta's oil patch these days. With uncertainty comes volatility, and it's quite possible that the ugliest has yet to come for many of Canada's struggling energy companies. Many pundits, like Kevin O'Leary, have been avoiding Canada's energy sector, at least until some of the uncertainty subsides.

The general public is fearful of the oil sands right now, but is it time to get greedy? Or will things get uglier from here?

Canadian Natural Resources Limited (TSX:CNQ)(NYSE:CNQ) is one of the best Canadian companies operating in the oil patch. The company has been considered a lower-risk investment by many analysts because it's a more efficient operator with a stronger balance sheet than its financially stressed peers.

The company has taken on a considerable amount of leverage to finance its latest oil sands acquisition from **Royal Dutch Shell**, but the debt appears to be manageable. The management team made it clear that the company plans to sell non-core assets to raise cash for reinvestment.

Canadian Natural Resources may have gotten a good deal on the oil sand assets from Shell, but this doesn't mean anything in the near term with all the headwinds facing Alberta's oil patch. The company still trades at a premium because many investors consider the company as best in class, and for this reason, the stock hasn't been hit too hard relative to its peers.

Canadian Natural Resources still looks quite pricey right now, and I think investors will start to feel a great deal of pain if oil prices fall below the $40 levels.

The stock has plunged over 17% from its December 2016 high and is a falling knife right now. Although the company is well run, I think it'd be a wise decision to look elsewhere for now. A much better price could be in the cards over the next few months.

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joefrenette