



As Oil Creeps into Bear Market, Is it Time to Buy Low on Canada's Energy Darlings?

Description

Crude oil (WTI) has once again fallen below the \$45 dollar mark, down more than 20% from year highs and 15% since late May.

Oversupply has kept downward pressure on oil prices since crude's enormous plummet in 2014. This is in spite of commitments made by OPEC and other suppliers, including Russia, to extend cuts in production into 2018. It would seem that the entry of Iran as an oil supplier following the levying of sanctions in early 2016, as well as record production from the United States, is poised to challenge crude's chances for a comeback in the foreseeable future.

Canadian energy giants **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), and **Kinder Morgan Canada Ltd.** (TSX:KML) have felt the pinch. Enbridge and Suncor are both hovering around 52-week lows, and Kinder Morgan Canada has steadily fallen to \$15.41 as of Wednesday's close since the IPO in late May, when it debuted at \$17 per share.

In spite of the recent flow of bad news for crude and these suppliers, Canadian and international commitments indicate that the black gold may still have life, and some of Canada's oil giant stocks with it.

Canada committing to energy

Kinder Morgan announced that it had raised \$7.4 billion for the Trans Mountain pipeline expansion. The newly formed B.C. government consisting of the N.D.P. and Greens, who both oppose the pipeline—combined with lowering crude prices—has dimmed investor sentiment. However, the Rachel Notley-led N.D.P. government in Alberta has demonstrated that it is more than willing to cast aside party politics and acquiesce to federal economic demands.

U.S. regulatory approvals are expected to be delivered under the new oil- and gas-friendly Trump administration. In light of this, Enbridge has announced plans to expand its main oil pipeline and natural gas systems in western Canada. Enbridge is moving quickly in bringing its Line 3 Replacement

Program to the U.S. market. Enbridge is hovering around 52-week lows at \$50.61 after Wednesday's close.

Suncor faced complications recently in its Syncrude oil sands project. Maintenance teams had to be brought in after an explosion on March 14. This caused a reduction in barrel shipments to 140,000 barrels per day from its Mildred Lake location. Suncor assured shareholders that they are still on schedule in 2017 to reach full production, and that the maintenance delay had already been factored in.

As OPEC and other international oil producers seek to relieve the downward pressure on crude, Canada remains steadfast in its commitment to its growing oil and gas sector. An industry-friendly administration to the south combined with strong commitments at home make these three companies strong potential long-term plays to reap the rewards of a bounce back in crude price as it nears its return to a bear market.

CATEGORY

1. Energy Stocks
2. Investing

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Date

2025/09/17

Date Created

2017/06/22

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