



Top Stocks to Hold as Oil Recovers

Description

As the price of oil has started to recover to more than US\$52 per barrel, there are a number of companies that have also started to breakout along with it. Throughout the past few years, the selloff of oil has led to significant declines in the price of a number of companies. In many cases, the companies that are vertically integrated have fared better than companies that are at the beginning point of oil production: the discovery and drilling.

At a current price of less than \$4 per share, **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE), which is in the business of exploiting oil properties, carries a very high amount of risk and reward. In September alone, the stock increased by more than 22% as oil has turned the corner, moving up by approximately 10%. Given how leveraged the company is to oil, investors need to be very cautious before entering this security, which carries a beta of 2.88.

Currently, shares of Baytex trade at less than half of tangible book value.

For those seeking income while retaining the potential for a significant amount of capital appreciation, shares of **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) offer a dividend of more than 3.5% at the current price of \$10 per share in addition to the potential for further upside appreciation. At current levels, the company trades at 59% of tangible book value while having generated profits to shareholders over the past two quarters. Further, the company has consistently generated positive cash flows over the past three years.

With a monthly dividend which has very little risk of being slashed, investors are being well paid to wait patiently.

Last up are shares of **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). As a vertically integrated oil company, shares have held up relatively well in spite of a lengthy dip in oil prices. The company, which controls Petro-Canada gas stations, has been much more in lockstep with oil, appreciating by 10% over the past month. With a current dividend yield of 3% and four consistent quarters of profitability, investors considering this name at close to its 52-week high may need to be a little more patient as the name carries significantly less risk.

Given the lower amount of risk, shares of Suncor have been the favourite of many investors over time. The challenge to be faced by the company will be finding the next catalyst to send shares higher. Since shares of Baytex and Crescent Point have the potential to double over the next few years, investors also need to be careful of the risks involved. What has appreciated with rising oil prices could potentially falter should oil revisit the US\$40 per barrel mark (or worse).

For those with a significant amount of time on their side, oil stocks could still be like throwing darts at a board, just as long as they hit the board!

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:VRN (Veren)
3. TSX:BTE (Baytex Energy Corp.)
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5. TSX:VRN (Veren Inc.)

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