# Why This Top Stock Soared Almost 10% Yesterday

## Description

Investing in a good high-quality company whose industry is in cyclical lows is an excellent way to tap into massive return potential.

While it can be unnerving, this is a strategy that pays off handsomely in the end. So, let's look at two quality companies that are trading at lows because their industries are at cyclical lows.

There is no doubt that the natural gas industry is at cyclical lows. In fact, it has been there for quite some time.

But with natural gas inventories currently at 3% lower than the five-year average, which is historically a bullish indicator for natural gas prices, and the weather forecast calling for a cold winter, could natural gas stocks be the next big buy?

Here are two top stocks that will soar if, in fact, natural gas prices rally this year.



**Peyto Exploration and Development Corp.** (TSX:PEY), whose shares rallied 2% yesterday, is a $2.5 billion market capitalization oil and gas company with over 90% of its production from natural gas, most of it coming from the Deep Basin of Alberta.

With Peyto, we get the lowest-cost intermediate natural gas producer which is also a high-yielding stock with an 8.54% dividend yield.

And with this, Peyto Exploration is a rarity among intermediate natural gas producers. Its total cash cost is $4.11 per barrel of equivalent oil (boe), and Peyto's capital discipline has paid off handsomely.

**Precision Drilling Corp.** (TSX:PD)(NYSE:PDS), whose shares rallied 8.5% yesterday, is another company that has good leverage to rising natural gas prices and the resulting increase in North American drilling activity.

And while oil services companies and their stocks are historically more volatile, which means higher upside and higher downside, this may be just what the less risk-averse investor needs for that extra torque in their portfolios.

Precision's shares got killed in the last two years and fell to approximately $3 from well above $14 in 2014; shares are now trading at $3.44 — a fall of 79%.

While the company reported a loss per share in the third quarter, the loss was smaller than expected, and it was 44% better than last year (a loss of $0.07 versus $0.16 last year).

Revenue increased 47%, and the company generated $37 million in cash flow.

The company had more than double the number of rigs working than it had last year, and pricing remained firm, as the sector continued to ramp up.

And Precision has high-grade rigs to offer as a result of recent capital investment, which should enable the company to thrive if the market is, in fact, recovering.

In summary, these are but two of the high-quality stocks that would provide massive returns should natural gas prices rally this year.

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1. Editor's Choice

**TICKERS GLOBAL**

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2. TSX:PD (Precision Drilling Corporation)
3. TSX:PEY (Peyto Exploration & Development Corp)



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