



3 Up, 3 Down: Energy Stocks and the Gaining Momentum

Description

Several energy stocks made sizable moves to end the year. Three on this list made nice gains, while three were bad to horrible.

List	Symbol	YTD Return (%)	EV/EBITDA	Volatility
1	CPG	-41.13	5.2	0.028
2	CVE	-33.17	8.1	0.024
3	IMO	-12.04	8.9	0.013
4	HSE	23.13	6.5	0.019
5	SU	24.89	8.0	0.015
6	TRP	28.71	14.3	0.010

Source: Yahoo Finance. A lower EV/EBITDA indicates value. A low volatility indicates smaller price swings.

Down for 2017

Shares of **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) retreated 41% year to date. The enterprise value to EBITDA (EV/EBITDA), a useful value gauge, is remarkably low at 5.2, which could be because investors have all been scared away. The company has also been trading below its book value for all of 2017. If the company were to go bankrupt, you could get your invested funds back. It is not nice to think like that; besides, some are [enthusiastic](#) about Crescent Point. One good sign is the “double bottom” on the daily chart. A double bottom is the formation of a support level after a stock bounces twice off a price level, which, in this case, is \$8.29 per share.

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) also put in a double bottom in 2017. Is this an interesting pattern for beat-up energy stocks? Catching this run from the trough in July to the peak in November would have been sweet, with 60% price upswing. Like Crescent Point, Cenovus has high price swings, which is reflected by the volatility metric in the table above.

Among the losers on this list is **Imperial Oil Limited** ([TSX:IMO](#))([NYSE:IMO](#)), which did not do that badly and actually had low volatility. What concerns me is how spotty the earnings have been in recent history, missing on five out of eight estimates. The forward guidance is not strong enough to take a risk on Imperial, in my opinion.

Up for 2017

Husky Energy Inc. ([TSX:HSE](#)) was up for the year. There are a few things that concern me. It has a poor return to equity (ROE) over long periods of time, even when the price of crude oil was considerably higher. In contrast, Cenovus has had its highest ROE in years. Husky suspended its dividend in 2016 and has not reinstated these shareholder payments in all of 2017. I would pass on Husky for these two reasons.

Shareholders will hope that **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) can have another great year, given that 2017 was an earnings *comeback* year for Suncor. Momentum should [continue](#), buoyed by Fort Hills: this new site is expected to bring efficiency and output. Overall, the company forecasts ~\$4.5 billion in capital expenditures and an average production of 740,000-780,000 barrels of oil equivalent per day. Suncor also sold off 49% equity interest in the East Tank Farm Development project. With this freed-up cash, \$503 million, the company intends to pay off loans (unsecured notes) that were costing 6% in interest. Nice move!

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is the best-performing stock on this list, up 28% year to date and with the lowest volatility. TransCanada also has a high dividend yield (3.9%). The payout ratio was a concern after cash became scarce when the company acquired Columbia Pipeline Group for over \$13 billion, but that is no longer the case. TransCanada remains attractive and worthy of your watch list.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TRP (Tc Energy)
4. NYSE:VRN (Veren)
5. NYSEMKT:IMO (Imperial Oil Limited)
6. TSX:CVE (Cenovus Energy Inc.)
7. TSX:IMO (Imperial Oil Limited)
8. TSX:SU (Suncor Energy Inc.)
9. TSX:TRP (TC Energy Corporation)

10. TSX:VRN (Veren Inc.)

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