



## Warm Up With These Natural Gas Stocks That Are Set to Soar in 2018

### Description

The record cold temperatures of late have become somewhat of a saviour for the [natural gas industry](#), with record demand depleting natural gas storage to levels that are significantly below normal.

#### Very bullish storage numbers

A key metric that is historically a very bullish indicator for natural gas prices is when natural gas storage levels fall below the five-year average storage levels, as they have done. Currently at almost 3% below the five-year average, this week's inventory numbers are expected to bring this shortfall to an even higher level.

And the price of natural gas is reflecting this, rallying 3.7% today as of the time of writing, and 16% since lows hit on December 22, as are natural gas-weighted stocks, such as **Peyto Exploration and Development Corp.** ([TSX:PEY](#)), **Tourmaline Oil Corp.** ([TSX:TOU](#)), **Nuvista Energy Ltd.** ([TSX:NVA](#)).

Peyto's shares are rallying 4% today [after being cut in half](#) since January 2017; Tourmaline shares are rallying 7%; and Nuvista shares are rallying 7% after a very weak 2017.

But it's just the beginning, leaving investors time to get in on these quality natural gas names that are set to have a very good year.

Peyto is a \$2.3 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.

Third-quarter 2017 results showed a 93% increase in EPS, a 9% increase in funds from operations per share, and free cash flow of \$25 million in the first nine months of the year.

With Peyto, we get the lowest-cost intermediate natural gas producer and a 9.8% dividend yield.

Tourmaline, with 85% of its production coming from natural gas, also has a very rapidly growing production profile, with production per share increasing at a cumulative average growth rate of 33% from 2010 to 2016.

The 2017 production grew an additional 30%, as the company's operations continue to exceed expectations.

And during this time, operating costs have been reduced dramatically from over \$6 per barrel of oil to just over \$3.

With a 60% natural gas weighting, Nuvista is also expecting strong production growth of almost 20% this year. And with its flexible balance sheet that has a reasonable level of debt (25% debt-to-total-capitalization ratio), the company is able to continue growing its production well into the future.

The message here is that with these quality companies, we have time to wait for the tide to turn on the very cyclical natural gas industry, and there are many indications that signal that the tide is, in fact, finally turning. So, this patience will be greatly rewarded.

## CATEGORY

1. Dividend Stocks
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1. Editor's Choice

## TICKERS GLOBAL

1. TSX:NVA (NuVista Energy Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)
3. TSX:TOU (Tourmaline Oil Corp.)

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**Date**

2025/06/29

**Date Created**

2018/01/12

**Author**

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