Should You Buy the Dip in These Energy Stocks?

Description

Oil has rallied after dropping below the $60 mark, as the global stock market rout and rising inventories put downward pressure on prices. The International Energy Agency recently said that OECD inventories are now 52 million barrels above the five-year average. Some analysts have declared that the oil market has reached the "balance" sought by the Organization of Petroleum Exporting Countries (OPEC) since the 2014 crash. OPEC elected to extend its production cuts to the end of 2018 in its November meeting last year.

Saudi Arabian oil minister Khalid al-Falih has said that OPEC intends to stay the course to ensure that inventories are in a comfortable position for its industries. Saudi officials have said that they endeavour to push oil closer to $70 rather than rest easy as it hovers around $60.

Canadian oil stocks have not fared well in 2018 thus far. Canada has seen its production surge, but transportation needs are not being met, and the excess buildup has damaged sentiment. Today, we are going to look at three companies that will be looking for things to turn around as we look ahead to the spring of 2018.

TransCanada Corporation (TSX:TRP)(NYSE:TRP)

TransCanada has dropped 7% in 2018 as of close on February 20. The Calgary-based energy infrastructure company released its 2017 fourth-quarter and full-year results on February 15. TransCanada also reported that the cleanup from its South Dakota spill is more than halfway complete.

In the fourth quarter of 2017, TransCanada reported net income of $861 million, or $0.98 per share, compared to a net loss of $358 million, or $0.43 per share in Q4 2016. For the full-year, it posted net income of $3 billion compared to $124 million in 2016. The company also delivered a quarterly dividend of $0.69 per share, representing a 4.8% dividend yield. Shares are up 5.6% week over week on the good news, and the stock remains an extremely attractive income play.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE)

Cenovus stock has plunged 18.1% in 2018 as of close on February 20. Shares are down 47% year over year. The Calgary-based oil and gas company also released its fourth-quarter and full-year results for 2017 on February 15.

Cenovus posted record net earnings of $3.4 billion in comparison to a net loss of $545 million in 2016. It rose oil sands production 95% to 292,479 barrels per day, and total oil and liquids production increased 75%. The company also declared a solid quarterly dividend of $0.05 per share, representing a 2.1% dividend yield.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge stock has dropped 12.4% in 2018 so far. However, its dominant position as the largest North American energy infrastructure company and its monster dividend make it an appealing target. Enbridge released its fourth-quarter and full-year results on February 15.

Earnings rose to $2.52 billion in 2017 compared to $1.77 billion in the prior year. A surprise report, which Enbridge has not confirmed, revealed that the company plans to double its asset sales in 2018 to $8 billion. Sources close to the situation say the company wants to take advantage of favourable selling conditions while also attempting to chip away at its $61.4 billion long-term debt load.

Enbridge declared a quarterly dividend of $0.67 per share, representing a 6.1% dividend yield. It plans to hike its dividend by 10-12% annually into 2020.

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