

Looking to Profit off Oil's Rally? Look No Further Than This Energy Stock!

Description

After many years in the doghouse, oil stocks are finally starting to gain the attention of investors after witnessing crude oil prices surge 10% in 2018. There are still many concerns for Canadian investors, however, most notably the discount on Western Canadian Select (WCS) compared to West Texas Intermediate (WTI) and Trump's comments, which could spell the end of oil's unexpected rally.

If you think oil can sustain its rally in spite of Trump's slamming of OPEC and claims that oil prices are artificially high, then it may be time to look at some of Canada's most unloved energy stocks that could realistically offer investors the ability to double up over the next three years.

Although it appears that WCS will remain at a huge discount to WTI over the foreseeable future, I do believe that the discount will gradually fade as new solutions are found to alleviate transportation bottlenecks. This relief definitely won't happen overnight, however, so investors are going to need an investment horizon of at least three years in order to really reap the rewards from a contrarian position.

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) is an extremely cheap stock that oil sands bulls should be pouncing on. The stock's currently down ~67% from its all-time high and appears to have found a level of support at around the \$10 levels.

The company was caught with its [pants down](#) during oil's collapse, and a questionable acquisition exacerbated the collapse of its shares. But that's old news. Looking ahead, Cenovus has the potential to become one of the most promising oil sands players with its innovative new steam-assisted solvent-aided extraction process that could reduce both operational costs and greenhouse gas emissions.

Cenovus definitely looks like a profoundly more economical player in the oil sands through its leveraging of innovative new extraction methods. Bottlenecks will also likely be reduced or eliminated down the road, implying a smaller gap between WCS and WTI. And if you think US\$100 oil is a possibility, there's no question that Cenovus could very easily catch up by doubling or tripling up from these levels over the next three years.

Given the promising longer-term outlook and the [immense discount](#) on shares at these levels, I think Cenovus is a must-own for those seeking the greatest upside from an oil rebound. The stock trades at a 0.8 P/B with a 0.8 P/S and is not in dire financial health, even though the longer-term chart may be indicative of such.

Stay hungry. Stay Foolish.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/07/04

Date Created

2018/04/23

Author

joefrenette

default watermark

default watermark