2 Cheap Oil & Gas Stocks I'd Buy Right Now

Description

Oil and gas stocks have seen mixed results this year. While some companies have seen their beaten-up share prices rise along with stronger commodity prices, others have continued to decline, as a disappointing political climate in Canada has turned many investors bearish. It's also uncertain how much more of a recovery we'll see in oil prices in the coming weeks and months.

Supply issues in Venezuela will help keep upward pressure on price, but talks of OPEC looking to increase production could offset the impact of that. Even whether we'll see production increased or if it will stay restricted is uncertain, as earlier in the year we heard rumblings of a potential long-term agreement. These conflicting reports don't make it any easier for investors to decide whether or not to invest in oil and gas today.

Let's take a look at two big stocks in Canada and assess whether either one is a good buy or not.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) is still recovering from a brutal 2017, where its share price hit all-time lows. If you had the courage to invest back then, you would have been rewarded with strong returns; the stock is up around 20% in the past year, though in just the last month it has declined 3%, but it looks like the stock may have found a home near $13.

Even despite the impressive increase in share price, the stock is still trading well below its book value and at less than six times earnings. It's a very good buy, especially for investors that are bullish on the industry.

Although the company has struggled with finding consistency in its earnings over the past four quarters, with two being in red, in its most recent quarter it did show strong sales growth of over 19%, and in the trailing 12 months it has been able to net a strong profit of over $2.5 billion.

Inter Pipeline Ltd. (TSX:IPL) has had a different path than Cenovus, as it has declined 6% in value over the past year, although it didn't have a seismic drop in price. Over the past two years, the stock has declined less than 9% compared to losses of over 27% that Cenovus stock has incurred during that time.

Inter Pipeline is perceived to be a bit lower risk than Cenovus, trading at over 17 times earnings and more than twice its book value. It may not be at a deep discount, but the stock is still a good value and pays a very strong dividend of nearly 7% per year.

The company has been a lot more stable in its earnings, with Inter Pipeline averaging a strong profit margin of 23% over the past five quarters. In its most recent quarter, the company's sales were up 12% year over year, and since 2013 revenues have grown by 66%.

Investors may be paying a bit more for Inter Pipeline's stock, but there are a lot of reasons to like it as a long-term buy. Many companies in the industry were not able to even survive the downturn, let alone achieve such impressive growth during it.

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