



## Are Oil and Gas Stocks a Good Bet This Summer?

### Description

Oil prices have been battered in recent weeks after reports surfaced that Russia and Saudi Arabia would seek to apply pressure on other OPEC members to end production cuts ahead of schedule. [Prices peaked](#) after United States President Donald Trump opted to scuttle the Iranian nuclear deal. Investors appeared to buy on the news that could lead to Iran's supply being rubbed out of the market due to new sanctions.

In late May, I'd asked whether it was time for investors to capitulate and [take profits](#) in top energy stocks. Shares of **Imperial Oil Ltd.** ([TSX:IMO](#))(NYSE:IMO) have been robust in the face of falling oil prices. The stock has climbed 3.1% over the past month as of close on June 17. Shares are up 10% in 2018 so far. **Husky Energy Inc.** (TSX:HSE) stock is up 3.8 month-over-month and share have climbed 12% this year.

The rising U.S. dollar has also dragged down oil prices as the more expensive greenback pushes up oil prices worldwide. Rising oil and gas consumers like India have worked to mitigate the impacts of higher oil prices, but many of these countries may be forced to raise interest rates. This could exacerbate trade tensions and put a dent in growth projections.

How should investors respond to these conditions?

### Seek out income as uncertainty returns

**Enbridge Inc.** ([TSX:ENB](#))(NYSE:ENB) stock fell 1.05% on June 15. Enbridge is the largest energy infrastructure company in North America. Shares have been stagnant month-over-month and the stock is down 14% in 2018. Its monster dividend continues to attract investors, and it is still on my radar today. Let's take a look at its first-quarter results.

Enbridge released its first-quarter earnings on May 10. GAAP earnings in the first quarter were \$445 million, or \$0.26 per share compared to \$638 million or \$0.54 per share in the prior year. Adjusted earnings surged to \$1.375 billion over \$675 million due to strong operating results and higher contributions from Enbridge natural gas, liquids pipelines, and utilities assets.

The stock also received a boost after Enbridge announced another \$3 billion in asset sales. Its board of directors declared a quarterly dividend of \$0.671 per share, representing an attractive 6% dividend yield.

Regulators in the United States are nearing a decision on the Line 3 replacement from Canada across Minnesota. This should provide Enbridge investors with some much-needed clarity in what has been a grueling saga for the company. The Minnesota Department of Commerce said that the project was not needed in 2017. Public pressure has also been mounting against the project.

### **Oil price trajectory this summer**

OPEC members will meet in Vienna at the end of this week. Saudi Arabia, Russia, and other key countries will need to make a decision on easing output limits that have slashed production by 1.8 million barrels per day. The official date of the meeting is June 22. For now, it appears traders are pricing in a reversal that could see production ramp up for some of the top oil-producing nations.

Downward pressure on oil could hurt energy stocks in the short term, but I still like the great income Enbridge is offering for the long haul.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:ENB (Enbridge Inc.)
4. TSX:IMO (Imperial Oil Limited)

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