



2 Top Energy Stocks I'd Watch in October

Description

As [oil prices](#) edge ever higher and are now trading at levels last seen in November 2014, investors would be well-advised to be watchful of energy stocks, as this may very well be the next big trade.

With West Texas Intermediate oil trading at approximately \$72, energy companies can be expected to post big earnings and cash flow increases, and accordingly, energy stocks can be expected to post big gains.

Not that this hasn't already begun.

But we can expect this trend to accelerate, as companies and investors start to truly believe that these oil prices are here to stay.

Here I will discuss two [cheap energy stocks](#) with a strong future that investors should consider adding to their portfolios for potentially big returns.

Baytex Energy ([TSX:BTE](#))(NYSE:BTE)

Baytex Energy stock is a very well-known energy stock, albeit not a well-loved one, understandably so as the company has been plagued with extremely high debt levels.

But Baytex Energy stock represents a very compelling opportunity at this point.

In the last few years, Baytex has been struggling under the weight of its highly leveraged balance sheet, but as oil prices strengthened from lows of below \$30 a few years ago, Baytex has increasingly become a very solid pick in the energy sector.

With a \$2 billion market capitalization and a stock price that has been very volatile, the combination of its recent merger and increasingly higher oil prices are setting the stock up for a very strong year.

Baytex's merger with Raging River Exploration Inc. closed in August, and the combined company has solved Baytex's two biggest problems.

It strengthens Baytex's balance sheet, bringing its net debt to equity ratio to below 2 times from 3 times and it diversifies its production base, giving the company quality light oil assets and land in the Duvernay area in Alberta.

As at the second quarter of this year, Baytex's long term debt has been reduced by 6% versus the prior year, and stood at \$3.2 billion. Still high but coming down, and after the asset disposition program completes, we will see more progress.

With rising oil prices, Baytex appears set to realize extraordinary returns this year and next.

Altagas Inc. ([TSX:ALA](#))

Altagas stock is another one that is well-known, but certainly not well-loved.

The stock currently has a dividend yield of 10.74% and has suffered under investor skepticism.

Recent developments that are positive for the company that should inspire confidence are the expansion in the Montney area, and the sale of an additional \$560 million in assets as per the company's plan. This brings total asset sales to \$1.5 billion, and we can expect another \$500 million in asset sales in the remainder of 2018.

And while dividend increases will be slower than initially expected at the time of the WGL acquisition, the dividend is safe as it is more than covered by cash flow.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:BTE (Baytex Energy Corp.)

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