



## An Industry That Offers More Upside Than Cannabis

### Description

The cannabis industry has been making all the headlines for weeks, and that means that many other stocks have been left out of the spotlight — stocks that could be better deals that offer investors more upside.

Rather than getting wrapped up in all the hype surrounding marijuana, you might be better off looking at an industry that has more undervalued stocks: oil and gas.

Many oil and gas stocks trade at very low multiples, and there's still the hope that growth in the industry will come back, especially with the Keystone XL being set to get underway sometime next year. And while many investors point to the problems surrounding the Trans Mountain pipeline as reasons why not to invest, the pipeline is not dead yet and could still move forward.

One of the reasons for the significant upside in oil and gas stocks today is because investors are so bearish on it, as that has kept stock prices low. A good example of that is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), which has been down more than 10% since the start of the year and has failed to see any sustained momentum, despite a rising price of oil.

The company has generated a strong profit in each of the past five quarters and doesn't show cause for concern, and it continues to trade slightly above its book value at a multiple of just 1.3

**Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) is another troubled stock that has been down this year. And while it has not been as poor as Enbridge's returns this year, Cenovus is still trading well below its book value and is still trying to recover from a disastrous 2017 that saw its share price hit a new [all-time low](#).

Although Cenovus has not had the strong financial performance that Enbridge has enjoyed in recent quarters, in its [latest reporting period](#) the company did achieve a year-over-year sales growth of nearly 50%. Cenovus is one of the major players in the oil sands and it's a stock — along with Enbridge — that could see a lot of growth in future quarters.

## Why oil prices could jump further

One factor that could have a big impact on these stocks is the price of oil. And tensions between the U.S. and Saudi Arabia could lead to a spike in oil prices, albeit likely temporary. But if the oil-rich country were to decide to significantly scale back output, that could keep oil prices higher for longer and help inject some bullishness into oil and gas stocks.

## Bottom line

If you're looking for some good deals on the TSX, you likely won't find them in the overpriced cannabis industry.

Although oil and gas stocks are down for now, it's likely that the worst is behind the industry, at least for the foreseeable future. Sooner or later we'll start to see more optimism return to oil and gas stocks; there just needs to be a catalyst to trigger more bullish activity, and a shock to the price of oil might be enough to do it.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:ENB (Enbridge Inc.)

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