



These 3 Natural Gas Stocks Will Soar on Chinese Demand

Description

Much ado has been made of late (and rightfully so) about the potential impact of the China-U.S. trade spat. Increased tariffs from both countries could impact global markets in a substantial way given that approximately one-quarter of all U.S. revenue comes from outside of the U.S. In addition, most companies have global exposure with the potential to be impacted negatively by a prolonged tariff war between two of the world's largest economies.

That said, with all the negative rhetoric out there shaping the vast majority of the discussion, in this article I'm going to highlight one potential uptrend for stocks coming out of the U.S. and China: natural gas demand.

Pollution a real issue

The Chinese government has significantly increased its anti-smog and pollution/emission reduction efforts in recent years, providing for some of the lowest smog readings in the past decade in Beijing, the country's capital. Among the key initiatives are restrictions on the burning of coal and preference given to natural gas and other cleaner forms of energy to fuel the biggest economy in Asia, and one with energy needs that are only expected to continue to grow over time.

With Canadian markets uniquely tethered to commodity prices, many Canadian investors can certainly attest to the concerns of investors and analysts who believe Chinese demand growth may be slowing; demand for many commodities from potash to uranium has remained muted as production increases have continued to remain above forecasted demand increases over time.

My top 3 picks for natural gas producers today

Encana Corp. (TSX:ECA)(NYSE:ECA) has been a top pick of mine in the oil & gas space for some time. As one of Canada's premier natural gas players, Encana has been improving free cash flow burn at a time when natural gas prices are on the rise. The company has a significant amount of [untapped natural gas reserves](#), making Encana an excellent option for investors looking to buy into a company with long-term potential to take advantage of this commodity in an improved commodity price environment.

Peyto Exploration and Development Corp. ([TSX:PEY](#)) is a long-standing [low-cost](#) producer that continues to pump out profit for shareholders and stands as one of the best opportunities in the natural gas space compared to its peers. The firm currently trades at just above three-times operating cash flow and is an excellent company to buy into strength in natural gas prices over the long haul.

AltaGas Ltd. ([TSX:ALA](#)) has seen better days, and, as I predicted, its stock price is down significantly for a number of reasons that are unrelated to the price of natural gas in recent quarters. That said, it appears that the market is pricing in a dividend cut for AltaGas, making this company that could outperform should the company be able to maintain its relatively high distribution. As a speculative play, AltaGas interests me and I will be keeping my eye on this stock in the near to medium term.

Stay Foolish my friends.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/25

Date Created

2018/11/07

Author

chrismacdonald

default watermark

default watermark