



The Natural Gas Boom Is Here: 4 Stocks Set to Skyrocket

Description

Natural gas prices have skyrocketed recently, with NYMEX prices up 45% since the end of September and AECO prices pushing higher, although with more volatility.

It will probably come as no surprise to you when I say that the [natural gas industry](#) has been in trouble for many years. Rapidly rising production, pipeline constraints, lacklustre demand, and a lack of access to the global market have depressed Canadian natural gas prices, leaving many natural gas producers struggling to stay afloat.

But I believe we are sitting on the cusp of a sustained breakthrough.

Storage levels are low, the weather is cold, and pipeline constraints are slowly being worked through as expansions take hold. And the [LNG Canada](#) approval will work to improve sentiment for now and actual fundamentals in the medium term.

Here are four stocks that investors may want to consider for exposure to the natural gas boom.

Peyto Exploration and Development ([TSX:PEY](#))

Peyto has been struggling with persistently low natural gas prices, as reflected in third-quarter cash flows, which declined 16% year over year, as management made the decision to shut-in certain unhedged natural gas volumes this quarter, and they attempting to combat low prices by focusing more on liquids.

So, naturally, Peyto stock was down after the report and has been stuck in the \$10-12 range since February of this year.

But in 2019, cash flows should look better, as 20% of volumes will be exposed to U.S. natural gas pricing, as the company has made arrangements for this, and as the company has shifted drilling focus to liquids in an attempt to be flexible to respond to market conditions.

Peyto stock has a dividend yield of 6.5%, which is still easily covered by cash flows and remains safe at this time.

Nuvista Energy ([TSX:NVA](#))

Nuvista has gotten killed in the last year and is now down more than 42%. With a 60% natural gas weighting, we can easily see why.

But for its part, Nuvista is expecting strong production growth of almost 20% this year.

And with its flexible balance sheet with a reasonable level of debt (20% debt-to-total-capitalization ratio), the company is able to continue growing its production well into the future.

Tourmaline Oil ([TSX:TOU](#))

With an 82% natural gas weighting, Tourmaline also stands to benefit big in a rising natural gas price environment.

With a strong and flexible balance sheet, a large land position, and management/director ownership of 21%, Tourmaline has massive upside to rising natural gas prices.

Arc Resources ([TSX:ARX](#))

Arc has a 71% gas weighting and has been a very strong performer, beating expectations on both the production and cash flow fronts.

The company has a reserve life index of over 10 years (on a proven basis) and has high-quality assets in the prolific Montney area, with a 15-year drilling inventory.

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1. TSX:ARX (ARC Resources Ltd.)
2. TSX:NVA (NuVista Energy Ltd.)
3. TSX:PEY (Peyto Exploration & Development Corp)
4. TSX:TOU (Tourmaline Oil Corp.)

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Date

2025/08/23

Date Created

2018/11/20

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