Canada’s Top Stocks to Buy Amid the Ongoing Oil Rout

Description

Since hitting a four-year high in early October, crude prices have now crashed almost 30%. They set a new low for the year on Tuesday, falling more than 6% in New York yesterday. It was the second-biggest loss for the commodity in just over a week.

With crude oil prices in a free fall on speculations that OPEC members won’t be able to cut output, the oil outlook has suddenly become very uncertain.

Canada has its own problems. Its pipeline capacity shortage has become so acute that some producers are calling for the government to intervene and control supplies.

Western Canada Select crude — the main blend sold by Canada’s oil sands producers — closed at $13.46 a barrel last Thursday, the lowest in Bloomberg data stretching back to 2008. The blend’s discount to U.S. benchmark crude exploded to as much as $52.40 a barrel last month — also a record, according to Bloomberg data.

Canada’s top oil stocks

Due to these issues, Canada’s top oil stocks are getting hammered and are close to losing the gains they made in 2018. **Suncor Energy** (TSX:SU)(NYSE:SU), one of the largest oil sands producers, is down 8% for the year and trading where it was in February.

Cenovus Energy (TSX:CVE)(NYSE:CVE), another producer, has fallen 18% during the same period. The oil rout has put at stake the company’s turnaround plan, which was dependent on the company’s accelerated sale of assets to reduce its debt.

No doubt the situation doesn’t call for taking any position in the nation’s top oil stocks. But if you’re a long-term investor, there will be opportunities to take advantage amid this deepening downturn.

And the most value one can see is in the integrated oil companies like Suncor and **Husky Energy** (TSX:HSE), which has its own refining capacity and is mostly unscathed by the situation.

Suncor is among the few top players that have positioned themselves to take advantage when Canada’s capacity issues are resolved. Since the 2014 oil downturn, Suncor has undertaken an aggressive cost-cutting program and expanded its asset base by buying assets from operators that decided to exit Canada.

Husky is another integrated energy company with production and downstream assets in North America and offshore projects in Asia. In Canada, Husky operates oil sands facilities in western Canada and offshore developments in the Atlantic. Husky also has a number of refineries located in the U.S.

Bottom line

There is always a bull case for some stocks, even when the market is crashing. The same goes for Canada’s oil patch. You should certainly avoid the pure oil producers in this dismal situation, but when the dust is settled and the bottom is near, buying some integrated oil stocks will be a winning a bet.

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