



Natural Gas Stocks Have Massive Upside – Buy Now?

Description

NYMEX [natural gas](#) has rallied almost 40% in the last year.

If you're shocked, I wouldn't blame you. Because sadly, this rally has not taken Canadian natural gas prices (aeco) along for the ride. Canadian natural gas producers continue to struggle under the weight of weak, and at times, negative natural gas pricing.

But the noise is getting louder, and the emotions are getting more passionate, in an attempt to get government action to intervene and bring an end to [infrastructure issues](#) here in Canada.

And while any solutions will not take days to implement and feel, but rather months and/or years, stock prices move not only on actual current fundamentals but also on sentiment and expectations for the future.

With this, let's review some of the top natural gas stocks that would rally big time should this crisis begin to fade.

Peyto Exploration and Development Corp. ([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.

In response to the ever-rampant problems and to combat their value-destroying effects, management is attempting to combat low natural gas prices by focusing more on natural gas liquids (ngls).

Naturally, Peyto stock continues to get killed.

But it is feeling like the beginning of the end to me, and while it's pretty difficult to time these things, I think next year will be much better for Peyto.

The stock has plummeted 33% in the last year, and has been stuck in the \$10 to \$12 range since

February of this year.

But in 2019, cash flows should look better, as 20% of volumes will be exposed to US 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 in order to respond to market conditions.

Peyto stock has a dividend yield of 7%, and although the market is pricing in a dividend cut, it still appears easily covered by cash flows, and safe at this time.

Tourmaline Oil Corp. ([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 Ltd. ([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.

In summary, although timing is a difficult question, buying quality cyclical stocks such as these at cyclical lows can prove to be a very profitable move.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

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

Category

1. Dividend Stocks

- 2. Energy Stocks
- 3. Investing

Date

2025/09/29

Date Created

2018/11/29

Author

karenjennifer

default watermark

default watermark