3 Top Energy Stocks to Buy in 2019

Description

The Canadian oil and gas market has come a long way since the days in 2018 when energy companies and stocks were being crushed by the huge discount that was being applied to Canadian oil.

And while the problems that brought that crisis are still present, there have been developments that have mitigated the problems, and sentiment seems to have improved somewhat.

As a result, Canadian oil prices have quietly risen, effectively narrowing the differential to WTI significantly to under $10 from approximately $50 at the worse.

Accordingly, Canadian oil and gas stocks have rallied since 2018 lows.

Without further ado, here are three top energy stocks to buy in 2019.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

Canadian Natural has been on a long, consistent road of shareholder value creation, with dividend increases and stock price outperformance being the norms. It is the safe bet on a volatile energy market.

Canadian Natural is a cash machine that continues to generate strong cash flows and income for investors, yet CNQ stock is down approximately 18% versus last year.

In the first nine months of 2018, Canadian Natural has seen a 50% increase in funds from operations, free cash flow after dividends of approximately $3.1 billion, and a sharp improvement in oil sands mining operating costs to $22.90 per barrel.

With a 3.6% dividend yield and a predictable, reliable stream of cash flows with little reserve-replacement risk, CNQ stock remains a secure pick for energy exposure.

Cenovus Energy (TSX:CVE)(NYSE:CVE)

The $17.7 billion acquisition of assets from **ConocoPhillips** in 2017 has served to dramatically increase Cenovus's production profile and drive strong cash flow growth.

As free cash flow ramps up in 2018 and 2019, we can expect to see increasing dividends, debt reduction, and more share buybacks — all catalysts for strong performance for Cenovus stock.

Baytex Energy (TSX:BTE)(NYSE:BTE)

Baytex stock has been a disaster and is trading at a mere fraction of its stock price of over $40 just four years ago, as the company has struggled with high debt levels, rising costs, and declining production.

But Baytex is the energy stock with the most upside and is perfect for those investors that are looking for the higher risk/reward trade-off.

Baytex has accomplished something positive with its acquisition of Raging River Exploration, which has brought diversification and debt reduction to the company.

It strengthens Baytex's balance sheet and gives the company quality light oil assets and land in the prolific Duvernay area in Alberta.

Final thoughts

At this time, the Canadian energy market is recovering from the depths of despair.

Going forward, pipeline expansions and railway capacity will continue to improve the situation, driving prices sustainably higher.

We can expect more volatility and should consider adding the top energy stocks listed in this article, as they remain very attractively valued at this time.

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Date
2025/08/27
Date Created
2019/01/15
Author
karenjennifer