



Will the Oil and Gas Sector Be Our New Knight in Shining Armour in 2019?

Description

If you're wondering what the hot sector will be this year, you're not alone.

We're all looking for the next big sector that will outperform the market and boost our RRSP and TFSA accounts –all in our quest to achieve the comfort of financial security so we can focus more on enjoying life to its fullest.

Let's consider the oil and gas sector – one that has suffered much pain over the last few years and whose stocks are showing real value.

Crude oil and natural gas continue their [volatile](#) ride. And although industry problems in Canada remain, government and industry constituents are working hard to solve these problems.

One of the best things that oil and gas stocks have going for them is that they are trading at very [attractive valuations](#).

Valuations that are factoring in much of the risk that has existed in this sector, while not factoring the solid results that many of the companies are posting, or the potential that exists when the problems are rectified.

In this article, I would like to take a look at two oil and gas stocks with the potential to generate strong returns for shareholders in 2019.

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#))

Canadian Natural stock has a year-to-date return of almost 5%, plus a dividend yield of almost 3.8%, below the market's 9.5% year-to-date return.

But Canadian Natural Resources has been on a long and consistent road of shareholder value creation, with dividend increases and stock price outperformance being the norms.

It's a safe bet on a volatile energy market.

The company is a cash machine that continues to generate strong cash flows and income for investors, yet CNQ stock is trading only 4% higher.

This despite the fact that 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.

In my opinion, this disconnect will be rectified, thereby driving strong returns for shareholders.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#))

Up 14% year-to-date, Suncor Energy stock is already performing quite well in 2019. This, plus its dividend yield of over 3%, has provided shareholders with a return that is much better than the market return of 9%.

Suncor's integrated business model has and will continue to be a cash windfall for the company, as its downstream business benefits from pricing strength and increasing production.

Accordingly, its 10-year compound annual growth rate in dividends is 22%.

In its latest quarter, Suncor increased its dividend by 9%, as strength in its downstream results drove strong cash flows.

With expected free cash flow of over \$3 billion in 2018, and its integrated model, Suncor is well positioned for the future.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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