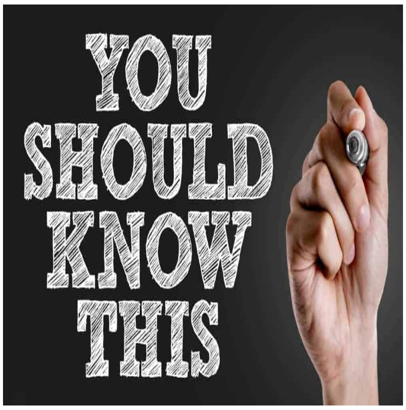

2019 Could Be a Turbulent Year for Oil-Weighted Energy Stocks

Description

With falling oil prices and hamstrung projects challenging the Canadian energy sector, the prospect of snapping up shares in impacted companies may seem unappealing. Value opportunities abound at the moment, though, so let's take a rummage through the heady mix of high yields and soothing market fundamentals currently to be found among the energy tickers on the TSX index.

Vermilion Energy (TSX:VET)(NYSE:VET)

It was a disappointing year for Vermilion Energy, with a one-year past earnings loss of -186.9% that compounds a five-year average of -45.2%. This might put off dividend investors already wary of a stock with 73.8% of debt on its balance sheet. However, with more inside buying than selling in the last three months, one gets the impression that confidence abounds among those with more information.

Up 0.56% in the last five days and with a 115.8% expected annual growth in earnings making for a potential reversal of fortunes, there are at least a couple of reasons to stack shares of Vermilion Energy in your dividend portfolio. A yield of 8.62% would be a good reason to buy, and while a somewhat bloated P/B of 1.9 times book suggests overvaluation in terms of assets, it's technically discounted against its future cash flow value by 22%.

Parex Resources (TSX:PXT)

A great outperforming stock, Parex Resources pounded the opposition with a one-year past earnings growth of 653.5% with an overall five-year average of 52% that leaves the Canadian oil and gas industry in the dust. But it's not all clear sailing for Parex Resources, with a negative outlook of -4.3% in expected earnings in the next one to three years.

This debt-free stock is up 1.6 % in the last five days and trading with a low P/E ratio of 5.7 times earnings. As with Vermilion Energy, its P/B ratio of 1.9 times book is perhaps a touch high, though with no dividends on offer and a high five-year beta of 2.08, there is the potential for substantial capital gains.

More shares have been bought than sold by insiders over the last three months, so if you use inside buying as an indicator of confidence, then Parex Resources could be a good pick for the oil and gas portion of your TSX index portfolio.

Suncor Energy (TSX:SU)(NYSE:SU)

It's a good idea to check in with Suncor Energy from time to time. Up 2.7 % in the last five days, more shares in this stalwart oil stock have been bought than sold by insiders over the last three months. With an acceptable level of debt at 36.4% of net worth and a dividend yield of 3.31%, there's reason enough to buy.

However, with a beta of 1.43 relative to the market, Suncor Energy is as liable to waver with oil price fluctuations as any other energy stock. It's fairly valued at the moment, with a P/E of 14.4 times earnings and P/B of 1.5 times book that match the TSX index point-for-point.

The bottom line

Oil supply bottlenecks and localized conflict could bring increased volatility in oil this year. Vermilion Energy's five-year beta of 1.57 relative to the market shows that it could be fairly easily impacted by swinging oil prices. Meanwhile, Suncor Energy is looking at a drop of 2.2% in earnings, leaving Vermilion as a strong contender for dividends and Parex Resources as one of the hottest energy picks on the TSX index for capital gains.

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2. NYSE:VET (Vermilion Energy)
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