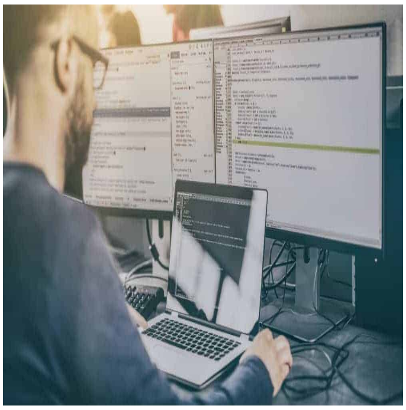

Up 20% in 2019, Are These Energy Stocks Quietly Poised for Explosive Upside?

Description

Energy stocks, which still make up a significant part of the Canadian market, are starting to come alive again in 2019.

Crude oil (wti) is up 23% year-to-date, Western Canadian Select is up 14%, and although natural gas continues to struggle, recent developments are encouraging.

Construction has begun on Royal Dutch Shell Plc's $40 billion LNG Canada facility, and now a group of Canadian natural gas companies, including **Peyto Exploration and Development Corp.** (TSX:PEY) are getting together to get the ball rolling on another LNG project.

In Canada, natural gas prices are below $3.00, while in Asia, they are trading at more than $10. So gaining access to international markets is clearly a game-changer.

But until then, companies must survive — not an easy thing in this bloodbath environment that natural gas companies find themselves in.

Here are two natural gas stocks that will move significantly higher when the natural gas cycle turns. In the meantime, they are surviving.

Peyto

Since 2010, Peyto's production has increased from roughly 20,000 boe per day to almost 120,000 boe per day.

Although production is set to decline in 2019 due to reduced spending, the company expects to increase production thereafter as a result of its increasing focus on higher margin liquids production.

Furthermore, in 2019, cash flows should look better as 20% of volumes will be exposed to U.S. natural gas pricing and as the company has shifted drilling focus to liquids.

Encana Corporation (TSX:ECA)(NYSE:ECA)

Encana is a good option for those investors seeking a company that is less leveraged to natural gas.

With only 55% of its production being natural gas, compared to well over 80% for Peyto, Encana has the benefit of having leverage to natural gas while also benefitting from strong oil prices today.

The stock has rallied 20% year-to-date, as the company has a lot of room for cost-cutting and as its top tier North American resource plays such as the Duvernay, the Permian and Montney, position it really well going forward.

In 2018, Encana's operating cash flow is expected to be up as much as 60%, as the company has benefitted from rising production (+11%), higher realized oil prices (+23%), and declining costs.

Given the company's five-year plan for maximizing cash flow and increasing margins, as well as its enviable asset base, we can expect good times for Encana in the years ahead.

As investor sentiment changes and natural gas prices firm as LNG project completion dates approach and these energy companies continue to cut costs and to look for solutions to combat the depressed natural gas market, we should see investor confidence in these stocks return.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)

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