3 Stocks to Buy Now Before Oil and Gas Rebound

Description

Whether you're an investment nut or not, you'll still know that oil and gas just isn't what it used to be in Canada. While prices at the pump may be nice for your wallet, it's not great for the Canadian economy and *definitely* not great for your investments.

But that could all be about to change, and much sooner than you'd expect.

Recently, **Enbridge** got the green light to go ahead with its Line 3 pipeline replacement and expansion project. That means by the latter half of 2020, 760,000 barrels of gas per day will be flowing from Albert through to Wisconsin.

While this is great news for the oil and gas industry, it means that an opportunity to invest is coming to a close. There are a number of options out there to put your dollars to work, but if I'm picking any three energy stocks, I'm going with these three.

Cenovus

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) is probably the biggest bargain out there when it comes to energy stocks. Its solvent-aided process, once up and running, could make it the cheapest energy company out there for processing crude on site.

The problem investors have is that this hasn't been put to any major test, and so they'll have to wait for the process to prove its worth before seeing those dollars reflected in share price.

So why buy now? Because the stock is still *so* low. Its fair value is around $19, but it's sitting in the $12 range despite being one of Canada's largest crude producers, at 500,000 barrels per day. So if you buy now, and the oil and gas glut comes to an end, Cenovus will still be a leader in production and your shares will only go up. But if you buy and hold for the long run, you could see shares reach Enbridge level.

Encana

Another cheap stock that really has no room to go but up is **Encana Corporation** (TSX:ECA)(NYSE:ECA). Encana has a 55% stake in natural gas, with a liquidity cushion that puts it in a position to endure low gas and oil prices for a long stretch, if need be.

But where investors should be looking is at Encana's expansion plans into high-margin liquids production — an expansion that should enhance the company's profitability and returns for the next five years.

And again, this stock is trading far below fair value, which should be at around $12 per share. Instead, it's been in the $9 range for quite some time, with nowhere to go but up. Once its expansion is underway, however, investors should see a decent bump to their portfolios.

Suncor

Recent investors in Suncor may not be all too happy with this stock. The company is pretty much going about with business as usual, basically ignoring the oil and gas glut and pushing Canada to end the backlog as soon as possible. Part of the reason for this push is the company's plans to move ahead with expansion projects, which has diluted shares.

But Suncor remains strong, with a stable balance sheet and steady cash flow that both limits the impact of oil price volatility and helps the company realize its expansion projects.

When the oil and gas glut comes to an end, Suncor will be in a strong position to put these new oil sands projects to work. In fact, investors can look forward to several decades of production from this company.

So while it might not be the cheapest of the stocks I've mentioned, Suncor remains undervalued. And again, looking at its historical performance, at $43.61, up seems to be the most likely direction for this stock.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
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