TFSA Investors: A Recovering TSX Index Stock That Could Surge Another 50%

Description

The rally in the Canadian stock market in 2019 now has the TSX Index testing new highs.

This makes it difficult for bargain hunters to find deals, but a number of companies that have enjoyed strong rebounds off the December lows could still deliver big gains through the end of 2019.

Let's take a look at one stock that might be an interesting pick for your portfolio today.

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

Cenovus traded below $9 per share in late December. At the time of writing, the stock fetches $13.50. The 50% gain is impressive, but the rally could still be in its early stages.

Why?

Cenovus took a major hit in recent years amid the plunge in oil prices and the ongoing challenges faced by some oil sands producers to get their production to higher-priced markets in the United States and overseas. Cenovus also paid a price for making bad hedging bets when it spent $17.7 billion to buy out its oil sands partner **ConocoPhillips** in 2017.

Western Canadian Select (WCS) prices have recovered significantly in recent months and the win by the United Conservative Party in Alberta's election has investors feeling more optimistic about the potential for getting new pipelines completed.

Challenges remain, and the new government doesn't have any more control over pipeline construction than the NDP had, but Line 3 will probably be completed in 2020, Trans Mountain should receive a green light from Ottawa in 2019, and the U.S. federal government is keen to see Keystone XL get built.

Cenovus recently increased its committed capacity on Keystone XL from 50,000 barrels per day (bbls/d) to 150,000 bbls/d. Its Trans Mountain commitment is 125,000 bbls/d.

In the meantime, Cenovus had taken steps to ensure it gets more oil to higher-priced markets. The company has agreements in place to transport oil on trains and expects to ramp up its oil-by-rail shipments to 100,000 bbls/d by the end of 2019.

Should you buy?

WTI oil is back above US$63 per barrel and WCS has recovered from a low near US$11 to US$54 per barrel. If the recovery continues in the coming months, Cenovus investors could pick up another 50% gain from the current price. Five years ago, this was a $30 stock, so a move above $20 wouldn't be a surprise if big money starts to flow back into the energy sector.

Cenovus drastically cut its dividend in recent years, but the improved conditions could see the board increase the payout before the end of 2019. If that happens, the stock could catch an additional tailwind.

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Date
2025/08/18
Date Created
2019/04/18
Author
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