TFSA Investors: Is 2019 the Year of the Natural Gas Comeback?

Description

Are you a contrarian investor?

Do you want to position yourself to make exponential returns in your TFSA portfolio?

If you have the time and nerves to sit back and wait for explosive returns, consider natural gas stocks and position yourself for an eventual recovery by adding a few natural gas stocks to your TFSA.

Natural gas prices here in Canada are dismal, as Alberta natural gas prices (AECO) continue to trade at wide discounts to natural gas around the world.

But considering that natural gas is the transition fuel of choice as the world transitions to clean, environmentally friendly energy, it appears there is a strong investment case here, assuming that Canada gets its act together.

And it appears this is slowly happening.

TransCanada is moving forward with its $1.5 billion NOVA Gas Transmission system expansion.

Construction has begun on **Royal Dutch Shell Plc's** $40 billion LNG Canada facility.

And a group of Canadian natural gas companies, including **Peyto Exploration and Development** (TSX:PEY), are getting together to get the ball rolling on funding and bringing LNG projects to life.

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

Nuvista Energy (TSX:NVA)

Nuvista stock has gotten crushed since its highs of last year, losing half of its value. And with a 60% natural gas weighting, we can easily see why.

But since December 2018 lows, we are seeing some life with Nuvista stock rising 39%.

And while Nuvista is certainly a contrarian’s stock in an industry that is at cyclical lows, it is trading at value prices and has massive upside when the cycle turns.

Fundamentally, the company is on a roll, and its exposure to the very prolific Montney resource play is expected to continue to drive strong results in the next few years. We can expect strong production growth of almost 20% this year, and the company is achieving a more than 30% growth in cash flow per share.

Peyto

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

With high-quality, low-cost assets, Peyto really has an operational advantage, although we could not tell by looking at its stock price performance.

Peyto stock has also pretty much been killed and hit lows of $6.66 in December 2018. Since then, the stock has stabilized, as the company moves on after a dividend cut that got its cash flow books in order.

To combat weak natural gas pricing, Peyto is increasing production of higher-margin liquids, and this will help improve results while the company waits for natural gas pricing to strengthen.

So, 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.

Peyto stock pays a 3.49% dividend yield.

Final thoughts

Whether 2019 is the year of the natural gas comeback remains to be seen, but one thing is for sure: there are glimmers of hope that a comeback is coming soon.

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1. Dividend Stocks
2. Energy Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:NVA (NuVista Energy Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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