



Calling All Young Contrarian Investors: Buy Energy Stocks for Big Reward

Description

Conventional wisdom when dealing with [cyclical stocks](#) is that you should buy at cyclical lows and sell at cyclical highs: [contrarian investing](#), if you will.

Now, I know this sounds much simpler in theory than it is to actually put it into practice, but today we are seeing tonnes of value in many energy stocks, and this is worth paying attention to.

When investors and the market start paying attention to this, the sky is the limit.

Canadian oil and gas in disarray

The Canadian oil and gas industry has been in disarray for too long now, with stocks in a free fall since 2015, destroying tonnes of value for shareholders and the industry alike.

A lack of pipeline capacity has starved the industry from its rightful place as a value generator, causing Canadian energy prices to weaken and activity to die down as companies grapple with this tenuous situation.

Despite Canada's enviable oil and gas resource base and its favourable political environment compared to places such as Russia, the Middle East, and some of the other politically unstable areas of the world, Canada has certainly lost its competitive edge.

But what if this story is the story of the past?

Recent developments — such as government intervention, planned pipeline expansions, solid progress on the LNG front, and a general awakening to the realization that things need to move forward to fix this situation — have given us cause for optimism again.

Although it is early stages, I think that young contrarian investors that have the time and patience to wait it out will be greatly rewarded by loading up on energy stocks.

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#))

Canadian Natural is quality energy company that continues to crank out cash flow, despite the challenges.

In the fourth quarter 2018, CNQ generated \$1.2 billion in cash flow, or \$1.02 per share, despite the Canadian oil differential widening dramatically during the quarter.

The company will report first-quarter 2019 results on May 9, and I would expect another quarter of strong cash flow as the Canadian differential has staged a dramatic recovery. As investors see these numbers, I would expect the stock to spike higher.

While you wait, you have a dividend yield of 3.82% to keep you warm.

Final thoughts

Contrarian investing is not for the faint of heart.

I understand this, as investing in companies and industries that the crowd is not only staying away from but actively criticizing can be very difficult and can feel lonely.

But this is often where a lot of money is made.

Today, the energy sector provides us with this opportunity. Starting with quality stock like CNQ stock is a good way to dip your toes into the sector.

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Date

2025/07/26

Date Created

2019/05/02

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