3 Top Oil Stocks to Watch for “Trade War” Bargains

Description

Depending on how oil prices fare in the face of renewed tensions in the ongoing U.S.-China trade war, value opportunities could arise in some big-name oil stocks over the coming months. Below, we will take a look at three of the best oil and gas stocks on the TSX index to snap up if their share prices fall by an appreciable amount.

Enbridge (TSX:ENB)(NYSE:ENB)

Somewhat insulated against the vagaries of oil prices, but not entirely so, Enbridge is best known as an energy infrastructure company, with operations spread across five broad sections: liquids pipelines, gas transmission and midstream, gas distribution, renewable energy and transmission, and energy-related services.

Returns of 17.2% over the past 12 months beat the Canadian oil and gas industry average, though it’s shaping up to be a hard period for the energy sector with losses already being felt. Down 0.89% over the last five days at the time of writing, this could be a trend to watch over the next week or so.

In terms of value, a P/E of 33.9 times earnings is on the higher end, though a P/B of 1.6 times book shows that Enbridge is valued close to the TSX index in terms of assets. A dividend yield of 5.96% is sizable and makes this stock suitable for a TFSA or RRSP, with 10 years of stable, rising payments adding peace of mind.

Vermilion Energy (TSX:VET)(NYSE:VET)

Down 2.91% in the last five days, Vermilion Energy is a more directly oil-weighted stock than Enbridge, and as such its share price is often positively correlated with oil prices. While this may be seen as a riskier play, a one-year past earnings growth of 574.7% is significant and may reassure would-be investors. Another metric of note here is a 6% past-year return on assets, which beat the Canadian oil and gas average of 4.9%.

Suncor Energy (TSX:SU)(NYSE:SU)

This cornerstone of Canadian energy investment got the month off to a good start when it posted first-quarter earnings and revenue figures that beat expectations in both areas. However, down 1.38%, Suncor Energy is heavily oil-weighted, and, like Vermilion Energy, susceptible to oil price fluctuations. Indeed, slight losses in oil for the week seem already to have taken their toll here.

Suncor Energy's stats are on the moderate side: a five-year earnings growth of 16.9%, a 5.7% expected forward growth in earnings, and a yield of 3.83% are all on the lower end of the spectrum. Like the preceding stocks, it's near market-weight value, with a price-to-earnings of 17.8.

The passive-income investor does have a stable option here, though, with dividends supported by 10 years of reassuring stability and growth; furthermore, projections put Suncor Energy's dividend yield at 5.81% next year.

The bottom line

Enbridge has some growth ahead (see a projected 27.2% annual rise in earnings), suggesting that it's a solid buy; keen investors may want to skip the queue and buy at its current valuation rather than wait for a dip. Indeed, all three stocks here are acceptably valued, though falling oil prices are likely to add to this good value if investors want to wait it out.

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