Canadian Oil Investors Should Watch These Stocks Carefully This Summer

Description

With the potential for a serious oil supply bottleneck later in 2019 — or possibly even more than one coming in conjunction with each other to form a black swan event that roils the markets — the following oil and gas stocks will have to be carefully managed. From a strategic pipeline stock to one of the most ubiquitous tickers on the TSX index, here are three energy stocks to watch closely for the latter half of the year.

Inter Pipeline (TSX:IPL)

Up 1% at the time of writing, this popular pipeline stock is selling at a fifth of its fair value and pays a large dividend yield of 8.16%, making for a sure-fire hit for an energy portfolio. Its valuation isn't bad at first glance, with a P/E of 15.1 times earnings, though a P/B of 2.2 times book is a bit high; however, its PEG of 6.7 times growth is perhaps its least-impressive market ratio and suggests a slightly too expensive stock.

Inter Pipeline's level of debt has crept up over the past five years from 148.5% to a concerning 153.8% and is not well covered, though some steady inside buying over the past year goes some way to balance confidence in this key oil stock. Meanwhile, its profitability is a little on the low side, with a past-year earnings-growth rate of 3.5% and expected rate of just 2.3% for the next one to three years.

Keyera (TSX:KEY)

Up 1.2% in the last five days, an average analyst rating puts this stock as a moderate buy. A high expected growth in earnings by the next quarter makes this stock a strong contender for an energy portfolio, while a longer-range forecast gives an estimated earnings-growth rate by the end of 2020 at 7.1%.

It's a fairly low-risk play in the Canadian oil space, with a debt-to-equity ratio of 0.86 denoting a stable balance sheet with a reduced level of debt well covered by cash. While it may not be the best value for money at the moment, with a trailing 12-month P/E of 20.65 times earnings and P/B of 2.63 times book, Keyera may be worth snapping up now for the 5.29% dividend yield.

Enbridge (TSX:ENB)(NYSE:ENB)

This heavy hitter saw strong first-quarter results, though a sharp-eyed investor may be aware that by seeking eight-year and longer oil shipping commitments on Canada Mainline, Enbridge may be rattling the market when it comes to smaller producers. Enbridge is close to the TSX index in terms of volatility, meaning that stockholders are unlikely to be too concerned, however. For newcomers, Enbridge's dividend yield of 5.59% is worth the stock's overvaluation.

The bottom line

Stockholders are clearly favouring oil companies at the moment, and it's easy to see why: the sector has been pulling in some solid Q1 reports and bullishness is rising on the prospect of supply bottlenecks. As various geopolitical flashpoints continue to develop, the second half of 2019 could shape up to be a very interesting time for oil; the three tickers above are likely to be front and centre should a severe bottleneck drive oil prices higher.

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