Buy the Dip? These 2 Plummeting Oil Stocks Could Surge Later in 2019

Description

With demand in the doldrums and crude prices dropping, energy stocks are getting slammed, with share prices severely slashed. However, a turbulent second half of 2019 all but promises higher oil, with the chance for geopolitical bottlenecks coming from all sides. Investors of a contrarian bent eyeing the China-U.S. trade spat for potential investment opportunities might therefore want to consider buying the following two oil-weighted stocks at a discount.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

Down 7.05% in the last five days at the time of writing, Canadian Natural Resources is feeling the effects of oil bearishness at the moment. However, for bulls looking to get ahead of the curve, this large independent oil and gas producer is looking like a value opportunity at the moment.

From a trailing 12 month P/E of 14.2 times earnings to a P/B of 1.3 times book denoting good value for money, and a healthy debt-to-equity ratio of 0.65, the stats paint a picture of a desirable stock in the Canadian oil and gas space.

Indeed, with an estimated earnings growth rate of 7.17% by the end of this fiscal year following on from an 8.6% past year earnings growth rate, Canadian Natural Resources is a steadily growing stock that pays a chunky dividend yield of 4.31%. Despite some insider selling in the last three months, an average analyst rating pegs this big deal in the domestic oil space as a moderate buy right now.

Tourmaline Oil (TSX:TOU)

Canada's second-largest natural gas producer and a key stock in the oil space, Tourmaline Oil is down 9.95% in the past five days thanks to a low-energy oil market. While there are some red flags here, this is still one of the best oil stocks for hardcore bulls, and is currently getting the same moderate buy signal from pundits. Indeed, a price-to-earnings of 13.4 times earnings, low P/B of 0.6 times book, and resultant dividend yield of 2.26% add up to an attractive pick.

A drop of 4.6% in earnings growth hit Tourmaline Oil's bottom line over the last 12 months, while its past-year ROE of 5% is rather weak, and does not indicate a particularly high quality purchase. However, with a debt level of 19.4%, this is a healthy stock at least, and steady inside buying over the past year suggests that Tourmaline Oil's inner circle is confident that its share price will rise.

Would-be investment in either stock should take the current economic and political climate into consideration, however, as a stockholder's level of bullishness will dictate how deep a position is taken. Oil prices are tethered to demand outlook as much as any other metric, and the current fear in the markets surrounding the U.S.-China trade conflict is dampening the energy sector to an almost alarming degree.

The bottom line

While Canadian Natural Resources is clearly worth taking a punt on, Tourmaline Oil would be looking like a bit of a dud at the moment if it weren't for all that insider buying. While the former stock's acceptable P/B denotes so-so value, Tourmaline Oil's deepening undervaluation almost seems to denote a falling knife rather than an attractive value opportunity for TSX index energy investors; however both stocks could rocket in the event of an international supply bottleneck and/or a positive breakthrough in the U.S.-China spat.

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