3 Energy Stocks to Buy on the Dip

Description

Oil entered a bear market early this month under global economic pressures that have rattled broader markets. Turbulence in late 2018 led to significant volatility for energy equities. Last week, I briefly discussed what investors can expect going forward in the energy sector. The average bear market for oil has lasted approximately 60 trading days. This gives investors some time to stack in the late spring and early summer.

Today, we are going to look at three stocks that sank into oversold territory over the past week.

Encana

Encana (TSX:ECA)(NYSE:ECA) is a Calgary-based independent oil and gas producer. Shares have plunged 25.6% over the past month as of early morning trading on June 10. This pushed the stock down to nearly 15% for the year.

Encana released its first-quarter 2019 results on April 30. The company reported a net loss of $245 million, or $0.20 per share, as earnings were dragged down by non-cash unrealized losses on risk management, restructuring costs, and acquisition-related costs. Encana declared a quarterly dividend of $0.01875, which represents a modest yield of 1.1%.

As we approach the halfway point in June, Encana stock boasts a forward P/E of six, which looks like great value relative to industry peers right now. Shares had an RSI of 24 as of this writing, which puts Encana stock in technically oversold territory.

Baytex Energy

Baytex Energy (TSX:BTE)(NYSE:BTE) is another Calgary-based company that engages in the exploration for and production of heavy crude oil, light crude oil, and natural gas in Western Canada and south Texas. Shares have dropped 26.8% month over month as of morning trading on June 10. The stock has mirrored the percentage drop of Encana in 2019.

In the first quarter, Baytex generated production of 101,115 barrels of oil equivalent per day, which exceeded the high end of its annual guidance. Adjusted funds flow surged to $221 million, or $0.40 per share, compared to $111 million, or $0.20 per share, in the prior year. This was due to a strong performance coupled with an improved commodity price environment.

Baytex had an RSI of 30 as of this writing, putting the stock just outside technically oversold territory.

Cenovus

Cenovus (TSX:CVE)(NYSE:CVE) is our final Calgary-based integrated oil company. It is focused on the development of its oil sands assets. Shares have fallen 9.3% over the past month. The stock is still up 13.9% in 2019 so far.

Cenovus began earnings season for the oil patch with a miss, which resulted in a 7% cut to its output forecast. Unlike some other producers, Cenovus has been a vocal supporter of Alberta's decision to curtail production output in order to boost Canadian crude prices. In its first-quarter report, the company said that the new policy led to an improvement in prices that more than offset the impact of reduced production. The company last paid out a quarterly dividend of $0.05 per share, which represents a modest 1.8% yield.

Cenovus stock had an RSI of 41 as of this writing. Shares have managed to climb out of oversold territory quickly, but the stock is still at the low end of its 52-week range.

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