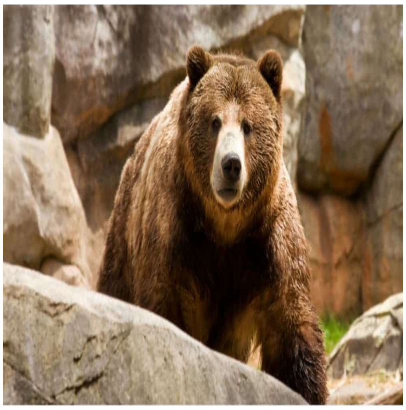

Oil in a Bear Market: 2 Large-Cap Bargains to Target in the Summer

Description

Energy stocks took a beating on June 19. Canadian energy equities have struggled after oil entered a bear market to start this month. Oil prices have been hammered due to concerns over global growth. Rising tensions between the United States and Iran have also contributed to volatility.

In the article linked above, I'd discussed the average length in trading days for an oil bear market, which was approximately 60 days. As we near the end of June, this gives investors the opportunity to evaluate some of Canada's top energy equities. These two stocks are worth monitoring in the early summer, as many can be had at a discount during this slump.

Suncor

Suncor (TSX:SU)(NYSE:SU) was my top stock pick for May. Shares of Suncor have dropped 8.8% over the past three months as of close on June 19. The stock is still up 9.3% in 2019 so far.

Suncor is well equipped to navigate through a volatile price environment. Management has gone on record in relaying its confidence over the long-term viability of the oil sands. Former Suncor CEO Steve Williams predicted that Suncor's oil sands business would be around for at least another 100 years. The stock last paid out a quarterly dividend of $0.42 per share, which represents a 4% yield as of this writing. Suncor has achieved dividend growth for 16 consecutive years.

Suncor stock last had a P/E TTM of 17, which makes it a solid value play relative to industry. It last had an RSI of 48, putting it well out of technically oversold territory. This gives investors some time to wait for a re-entry point with energy stocks likely to battle volatility in this bear market.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) stands as one of the largest oil and natural gas producers in western Canada. Shares have plunged over 15% since the stock reached a 2019high in late April. The stock is still up 8.9% in 2019 so far.

In the first quarter, CNQ reported net earnings of $961 million, or $0.80 per share, compared to $583 million, or $0.48 per share, in the prior year. Earnings surged from a $776 million net loss in the fourth quarter of 2018. This was largely due to extreme price volatility to finish the year. Renewed weakness for oil prices is an unwelcome start to the summer, but the differential with WTI crude is far more stable.

CNQ stock last boasted a P/E TTM of 14.6, which makes it a highly attractive value play relative to industry peers. The stock last had an RSI of 46, which mirrors Suncor's neutral price position. CNQ last paid out a quarterly dividend of $0.375 per share. This represents a solid 4.1% yield as of close on June 19. CNQ has achieved dividend growth for 18 consecutive years.

Investors will have to stomach volatility in the energy sector, as this bear market stumbles on, but there will be opportunities for bargain hunting in the early summer. Savvy investors should keep these two stocks on their radar in the coming weeks.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/08/25
Date Created
2019/06/20
Author
aocallaghan