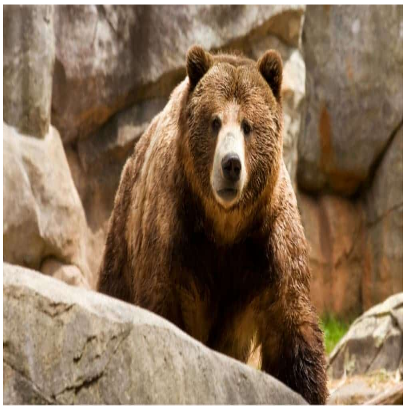

Even Oil Bears Like This +10%-Yielding Stock

Description

Oil investors looking for a bargain have a treat if they haven't come across the following company before. With a few downtrodden stocks doing the rounds in the oil patch, it's easy to give in to the bearishness that's starting to creep into the sector. However, this high-yield dividend stud could prove to be a winner for long-term shareholders.

One in Vermilion — the stock with an ace up its sleeve

With shares down 40% in the past year, **Vermilion Energy** (TSX:VET)(NYSE:VET) is a beaten-up stock trading at a fraction of what it's capable of. For a snip, the stock rewards investors willing to take a punt with a significantly high dividend yield currently topping 10%.

Down 8.59% at the end of last week to sell at a near 52-week low of $26, the dividend yield on offer is now a substantial 10.58%. If you're bullish on oil, this is the one stock to stack for tasty passive income with a relatively stable yield that's way over the TSX average.

However, reasons to be bearish on oil abound. From oversupply fears to an OPEC constrained by economic considerations, pundits doubtful about higher barrel prices have been making a fearful case of late. Though heightened tensions in the Strait of Hormuz caused oil to rise a little, the commodity has been grinding lower and could be set to continue in this vein.

From oil tankers to tanking oil, bearishness is creeping in

In an ordinary scenario, a pinched bottleneck like the Strait of Hormuz would cause oil bulls to wave their flags and proclaim the dawn of higher oil. However, this is 2019 we're talking about, where everything is financially topsy-turvy. With the spectre of a North American recession materializing out of a fog of disheartening data, the prospect of a protracted oil bear is becoming very real.

Never mind seized oil tankers — a recession could tank oil. The sector just had its worst week since the start of the season, despite the increasingly insistent drums of war beating in the Middle East, with

U.S. prices ditching 7.5% thanks to excess supplies of crude. Indeed, oil is looking increasingly like a "war investment," with any scarcity likely to be driven by conflict rather than careful output manipulation.

Why is Vermilion Energy still a solid bet, despite lower oil? First of all, look to its sturdy balance sheet for low-risk reassurance. Secondly, the company can scale back on exploration and development to protect its distribution. Thirdly, the company has good credit. If investors are concerned about a dividend cut, the fact that Vermilion Energy raises its payout when times are good should be further indication that it likes to reward its shareholders.

The bottom line

Paying one of the most impressive yields on the TSX, Vermilion is one to buy and forget about — even if you're bearish on oil. Its good health, good credit, and room to maneuver in terms of cutbacks make for a limber company capable of protecting its distribution, making it suitable for a long-term investment.

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