Worried About Weak Oil Prices? Buy This 1 Energy Stock

Description

The times we live in are quite uncertain globally. Riddled with weak manufacturing activity, the fallout from the U.S. and China trade war and fears of a looming recession are all impacting oil prices.

To make matters worse, the attack on one of the largest oil producers in the world, diminished half of the production capacity for Saudi Arabia.

Over the past year the international Brent benchmark dropped by almost a third. The North American benchmark West Texas Intermediate plunged by roughly 28% itself. Things don't appear to be going well for the petroleum industry.

Crude oil prices are failing to lift to more sustainable levels. As an investor in the Canadian energy sector, what does this mean for you?

You might feel inclined to cut your losses and make a run for it. In case a recession hits, you will naturally want to invest your hard-earned money in seemingly safer alternatives — perhaps in something that you feel can see you through the challenging economic times ahead. What if this fool tells you that the sharp decline in oil prices presents you with an excellent opportunity?

While you may disagree, I believe that the outlook for the near future of petroleum should not deter you from maintaining or even increasing your exposure to oil. Additionally, you can look at the falling crude oil prices as an opportunity to enjoy better access to the energy sector stocks.

Let us take a look at **Suncor Energy** (TSX:SU)(NYSE:SU), a stock you could consider to boost your exposure to the Canadian energy sector.

Top stock in the energy sector

Suncor Energy is a significant player in the Canadian energy sector. Many investors, especially from the U.S., have been overlooking Suncor when looking to increase their exposure to the crude oil industry.

Suncor happens to be one of the largest integrated oil companies operating in North America. The company has a favourable historical performance for investors.

The energy giant has repeatedly demonstrated that the company's stocks can bounce back from deeply discounted prices from times of economic uncertainty to create massive profits.

In the second half of 2019, Canadian heavy oil benchmark Western Canadian Select applied what could be considered a damaging discount, but Suncor Energy has managed to persevere.

Suncor manages to turn a profit despite the adversity due to an integrated business structure. Suncor doesn't just rely on conventional oil production, however. The company has included oil sands, refining, storage operations, and processing, as a part of its overall business strategy. Despite weak crude oil prices however, Suncor is steadily growing the production of oil.

In Q2 2019, Suncor's production of oil increased by 21% year over year to produce more than 800,000 barrels per day. The company isn't just ramping up production. Suncor also focuses on improving the efficiency of the overall operations. In the same vein, the return on capital employed (ROCE) for Suncor has increased to more than 10% in Q2 2019.

Despite oil prices being lower this year compared to 2018, Suncor's Q2 2019 operating earnings grew to $1.3 billion, which translates to a 5% year-over-year increase.

Foolish takeaway

Suncor doesn't appear to be slowing down despite the significant challenges hindering the energy sector. The significant improvement this company reported in the ROCE, refining operations that can process half the company's oil production, and a sustainable dividend yield of 4% make Suncor an attractive stock to consider.

While I can't guarantee when Suncor's position will improve, investors with shares of Suncor can enjoy their time while they wait for the oil to rebound. The dividend yield of 4% can increase investment earnings until oil prices and Suncor bounce back to greater heights again.

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