Canadian Natural Resources (TSX:CNQ): A Top Oil Stock to Buy Now

Description

Investing in oil stocks didn't prove a very profitable bet in 2019. While stocks from other segments of the market continued their upward journey, energy companies faced many hurdles.

A lingering trade dispute between the world's two largest economies, the U.S. and China, sapped investors' confidence; many investors exited cyclical stocks, including companies that produce oil and gas. **Energy Select Sector SPDR ETF**, which holds large-cap U.S. energy stocks, has massively underperformed the S&P 500 Index this year, rising just 1% when the benchmark rose close to 25%.

In Canada, the situation remained pretty bleak, as pipeline constraints forced the top energy-producing province, Alberta, to curtail production, forcing companies to cut their output.

But as the year progressed, it became clear that oil prices have stuck in a range, which is not too bad for the large oil producers. U.S. crude has surprisingly traded between a $50 and $60 a barrel range in the past six months and is on pace for its best year since 2016.

For some analysts, this range represents a sweet spot for both producers and consumers where the large integrated oil firms can generate strong cash flows without pinching consumers too hard.

A top oil stock with many catalysts

Given this encouraging outlook for the top oil stocks, investors should focus on the large integrated energy companies with strong balance sheets and solid assets. These companies generally perform better in both downturns and recovery. Such companies can also provide decent long-term returns to investors, whose objective is to hold on to their investments and ride through the market volatility.

In this category, I particularly like **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which is one of the top players in Canada and has many positive catalysts that can help it as the year progresses.

Canadian Natural Resources is the country's second-largest largest oil company. By taking advantage of lower oil prices and its strong balance sheet, CNQ acquired oil sands assets from **Royal Dutch Shell** in 2017 — a move that substantially increased its presence and gave CNQ increased scale and sustainability from long-life assets.

In another big acquisition announced in late May, Canadian Natural announced that it would buy the Albertan assets of U.S.-based **Devon Energy** for $3.8 billion. Devon Canada has the capacity to produce 128,000 barrels a day, including 108,000 b/d in the oil sands and 20,000 b/d of conventional heavy oil.

This week, CNRL announced a capital-spending plan for 2020, saying that it plans to spend $4.05 billion in 2020, $250 million more than in 2019, after Alberta lifted curtailments on new oil wells last month.

The oil and gas producer expects production of 1.14 million barrels of oil equivalent per day (boepd) to 1.21 million boepd next year, higher than the 1.09-1.15 million boepd it estimates for 2019.

Bottom line

In my view, it is a good time to buy CNQ stock, which is yielding just above 4%. It has a 12-month price target of about $45 a share from its current price of about $37 a share. If you look into the recent past, this is the stock that has always rebounded strongly once the skies get clear.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/18
Date Created
2019/12/06
Author
hanwar