



Should You Sell These 2 Oil Stocks After Big Gains?

Description

After pounding the table pretty hard over the past few months, I have to admit that it is pretty nice to see some green on the screen in terms of my oil holdings. I have been adding pretty heartily to these stocks over the past while, so having capital gains as a buffer is somewhat comforting.

But seeing the stocks climb healthily in such a short time can also be a bit of a curse to a long-term plan, since it can present a conundrum as to whether you should sell some shares to lock in gains in this volatile sector or continue to hold for a bigger move.

You see, I'm not much of a gambler. I'm the fellow who only goes to a casino when it is offering free-play birthday coupons. I have a tendency, once I have won some money off the free play, to cash out and take whatever I can get before I lose it all.

So, deciding to hang on to my oil stocks after a pretty substantial run-up is quite significant for me. In order to keep these stocks, I have to believe that the rewards yet to come still outweigh the possibility of a pullback in the near term.

Two of my favourite recommendations like **Whitecap Resources** ([TSX:WCP](#)) and **Arc Resources** ([TSX:ARX](#)) have had decent moves over the past few weeks, putting my relatively conservative nature in a bit of a pickle. Whitecap has moved up about 20%, and Arc is double that at around 35% from the time when I suggested buying these stocks a month or so ago.

These stocks are no longer offering the dividends they once were either, with Whitecap's yield shrinking to [around 7%](#) and Arc's getting reduced to [just under 8%](#). Luckily, these are still pretty appealing yields, so the income incentive remains. At the moment, both of these stocks appear to be able to sustain their hefty dividend payouts.

The valuations on these stocks are still pretty cheap as well. Whitecap is trading at a price-to-book ratio of 0.62 and Arc at a price-to-book ratio of 0.76. This is extremely compelling, as even a reversion to book value will result in a considerable upside for the stock.

Besides, things are starting to look up for the stocks on a macro level as well. The approval of **Enbridge's** Line 3 pipeline, the potential resolution of a U.S.-China trade deal, and maybe even a new and finalized North American trade agreement could mean there are sunnier horizons ahead.

Keep holding these oil stocks ... for now

I don't like massive risk. Generally, I believe in holding a number of steady, slow-growing dividend companies for the long term. In this case, however, I will make an exception. Whitecap and Arc are not safe stocks — don't get me wrong. Investing in commodities is a risky endeavour since the price can drop suddenly and dividends are never safe.

But the risk to reward on these stocks is still insane. A rise in oil prices, changing investor sentiment, continued profitability and balance sheet strengthening, or any other of a number of factors could cause these stocks to move towards a double in a heartbeat. Look what's happened in only a few weeks.

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2. TSX:WCP (Whitecap Resources Inc.)

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