1 Oil Stock With a 6% Yield That’s a Buy in January

### Description

As I have been stating for some time, western Canadian oil and gas stocks are ridiculously cheap at the moment. In fact, you could practically throw a dart at the sector and come out ahead in the end. The last two months have proven this theory to be correct, as almost every stock in the space has moved up in unison as oil increased in value. Most of these companies are up anywhere from 20% to 50% in the past month.



A couple of weeks ago, after the initial leg upward, I had to do a bit of self-assessment as to my thoughts on the sector. I did some research on the prospects going forward for oil stocks,

Choosing great companies is the key to making money in the future. You can do this by purchasing a basket of companies that have a combination of high dividends or the potential for massive capital gains. Personally, I have bought into several companies with different risk profiles to earn a combination of dividend returns and leveraged capital gains.

## Relatively safe dividends

Lucky for investors getting into the space today, though, oil stocks like **Torc Oil and Gas** (TSX:TOG) have strengthened their balance sheets to the point where their massive yields, 6.64% in the case of Torc, are much safer today than they were a few years ago. Rising oil prices have further helped them maintain their dividends by raising funds flows and allowing companies to lock in prices as a hedge.

Torc is a great example of how dividends have been strengthening, even as stock prices were slipping. Management confirmed its confidence in the dividend almost a year ago when it actually increased the monthly payout by 14%.

Dividends in the oil sector are looking pretty secure at the moment. Okay, when investing in commodity companies, you have to be comfortable with the fact that their dividends are never fully safe. They are commodity price dependent, which means these payouts can be very volatile. Practically every oil and gas stock on the TSX has cut their dividends in recent years, driving that point home. But there is evidence that current dividends are relatively safe.

## Decreased debt loads

I have reaffirmed my initial hypothesis that the move upward is not anywhere near over. Oil companies, for the most part, appear to have learned their lesson in regards to taking on too much debt and are actively reducing that debt. Many are also taking the opportunity to reduce their share counts as well.

Torc is a great example of how a culture of debt reduction is taking hold within the Canadian oil sector. In a similar fashion to many other oil companies, Torc proudly touted the fact that it reduced its net debt to $369.6 million in the third quarter from the $405.3 million it reported at year-end in 2018. For me, the fact that companies are proud of their debt reduction marks an important and encouraging a shift in the industry.

## The bottom line



Please keep in mind, though, that I am not predicting these stocks will be trading at or near their all-time highs in the immediate future. The oil prices at that time were likely an anomaly, not the norm.

Nevertheless, oil companies like Torc are a great way to add a combination of income and capital gains to your portfolio. Right now, there is a much greater possibility of upside for this unloved sector than there is a possibility of downside. Adding an oil stock like Torc today, even after the recent runup, is a great way to get exposure to a sector poised for explosive appreciation.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**POST TAG**

1. Editor's Choice

**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**
2025/08/25
**Date Created**
2020/01/16
**Author**
krisknutson