



## Why the Cenovus (TSX:CVE) Stock Price Fell 12.7% in January

### Description

With less and less money being invested in the “dying” oil and gas sector, even oil and gas companies that continue to make money for shareholders have been put in the penalty box. **Cenovus Energy** ( [TSX:CVE](#))([NYSE:CVE](#)) fell 12.7% in January in reaction to a sharp drop in oil prices, [as the coronavirus takes a toll on oil demand growth](#), but the stock has been struggling for quite some time now off of long-term industry challenges and negative sentiment.

Oil and gas stocks have been fast movers for decades now. It used to be that if you chose [the right energy stock in cyclical lows](#), you were in for solid returns when the cycle turned. The key decisions that you had to get right were company-specific strengths and the timing. Today, things are different, and they have been different for quite some time now. Because the oil and gas sector is being disrupted by clean energy alternatives that are racing to become the energy of tomorrow.

## Cenovus's stock price fell in January as negative momentum continues

Despite the fact that Cenovus continues to report positive results, its stock price continues to languish in an environment that is very negative on all things oil and gas. But with costs declining, Cenovus can be expected to generate free cash flow (after dividends) of almost \$1.4 billion in 2020, driving continued debt reduction, dividend payments, and share buybacks — all creating shareholder value.

Whether the market will recognize these positive attributes and what the timing of that would be remains highly uncertain, but we at least know that financially, Cenovus Energy has gotten its act together. Longer term, we are faced with sustainability questions, the environment, and the question of what energy source(s) will power the future.

These are not easy questions, but we know that any large shift like this takes time, and while we may think we know what the eventual outcome will be, it remains uncertain.

Consider for a moment that the oil and gas sector is increasingly investing in cleaning up its operations

and reducing its environmental footprint. While today, we cannot really see any of this ever having a real impact, if we just think about all the cash flow that many oil and gas stocks continue to generate and their increasing investment in being more environmentally friendly, we can see how something may move the needle sooner rather than later.

## Cenovus Energy's stock price should rise on emissions pledge

Technology has transformed a countless number of industries for the better. From the medical field being transformed by the "miracles" of medical technology to the telecommunications industry bringing more information and connectivity to people faster and more efficiently, technology continues to make improvements in all areas.

The oil and gas industry has been a laggard in terms of investing in technology to make things more efficient, cleaner, and all around better. Maybe those in the industry were not quick enough to realize that there is room for technology to make things better.

Today, we are at a crossroads. The oil and gas industry has no choice but to make certain investments, or it will face its doom. Cenovus Energy is just one of the oil and gas companies that is finally talking about investing in technology to reduce emissions and have a lesser impact on the environment.

## Foolish final thoughts

Cenovus Energy's stock price continued its fall in January, uncovering more value for investors. The stock has fallen 50% in the last five years, and as Cenovus continues to generate healthy cash flows and returns, it is looking more and more attractive today.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

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1. Business Insider
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