



Why the Cenovus Stock Price Fell 14.3% in February

Description

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) stock price fell 14.3% in February. Let's discuss why and also consider whether this fall in Cenovus stock price has made it a top stock to buy.

It is an important exercise for us to periodically review the performance of stocks we own and those on our watch lists. This review should happen at least once a year, but also when big stock price movements happen.

And big stock price movements certainly happened in February. Many stocks tumbled dramatically, leaving us to consider what to do about it.

Cenovus stock price falls on weak oil prices and coronavirus fears

No analysis of stock price performance in February would be complete without addressing the elephant in the room. The spread of the [coronavirus caused havoc in stock markets in February](#). As a case in point, the **S&P/TSX Composite Index** fell 6.1%, uncovering many buying opportunities.

The coronavirus also sent oil prices tumbling. The West Texas Intermediate (WTI) oil price tumbled more than 13%. The current \$44.76 level is a far cry from highs of more than \$70 in 2018. Demand fears related to the coronavirus have clearly compounded the oil and gas industry's problems.

Cenovus stock price falls on continued negative sentiment in Canadian oil and gas

[The sentiment regarding Canadian oil and gas remains very poor. I wonder, however, if this is still appropriate.](#) Things are improving. Cenovus, for one, is no longer production constrained. In contrast, the company is in fact ramping up production quite nicely.

Pipelines are moving ahead, and a better way forward seems imminent. In short, there *is* reason to start warming up to this industry.

Silver lining that should drive Cenovus stock price higher soon

Cenovus reported its year-end 2019 results in February. While this was overshadowed by the general market selloff, it was a good quarter. Free cash flow came in at \$2.5 billion, a sharp increase as realized oil and gas prices rose.

With costs declining, Cenovus can be expected to generate free cash flow of almost \$1.5 billion in 2020.

This will drive continued debt reduction, dividend payments, and share buybacks. Shareholder value is being created and I think we would be wise to pay attention.

Foolish bottom line

Cenovus stock price continued to fall in February. At this point, it has fallen 55% in the last five years. This has been nothing short of a disaster. The oil and gas sector remains in disarray, but for those investors who are looking for a contrarian value stock, this is a good place to look.

Many oil and gas companies like Cenovus are producing free cash flow, something that we can't take for granted. This was not the case many years ago and largely unheard of. Recent weakness in Cenovus may be a solid buying opportunity.

In closing, I would like to remind foolish investors of our belief in holding great businesses for the long term. This belief remains intact, but we also need to be aware that sometimes, short-term stock price movements create opportunities.

Blending this long-term focus with a keen eye for short-term stock mispricings is key. Only then can we use both strategies in harmony. We can fulfill our quest for financial freedom!

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