



The World Is Drowning in Oil: Here Are 3 Stocks to Rise With the Tide

Description

Just when you thought it couldn't get any worse for oil, a Saudi-Russia price war raised supply, while COVID-19 killed demand. An ocean of oil is flooding the markets, with some analysts predicting a **two-billion-barrel surplus** by 2021.

That is almost one-third of all the Allied oil used to fight World War II. It's enough oil to drive your car non-stop for a million years.

However, before you "buy-the-dip" on pulverized oil stocks, remember this is a freak market. Many producers can, and likely *will*, go bankrupt.

Here are three creative ways to strike this opportunity, hopefully without going bust:

Oil storage companies

Cutting oil production isn't easy. It's not like turning off a tap.

And you don't want to pump oil into a market full of low-bidders.

This could be a huge tailwind for **Gibson Energy**. It owns almost 12 million barrels of storage, plus 500 km of crude pipelines.

A quarter of all Western Canadian crude passes through Gibson Energy, and I'd expect that demand to increase.

Some analysts are even suggesting *negative* oil prices. (Yes, producers could get so desperate, they actually pay customers to take their oil!) Gibson's storage allows producers to hide until prices rise.

Oil companies that own complete supply chains

Exploration is expensive. It takes a lot of capital and tends to involve debt.

However, refineries are easier to manage. You take profits by turning crude oil into petrol. You're less dependent on higher prices.

And what if you also own 1,500 gas stations?

Well, now you control the entire supply chain. You can make adjustments and focus your capital wherever it's most efficient.

It's for these reasons [you cannot ignore Suncor](#).

Suncor has a monster list of assets from oil sands and refineries, all the way down to Petro Canada gas stations. Share prices are still down over 50% from their 12-month high.

If you're looking for an oil stock to hold, now might be a good time to consider Suncor.

Oil tanker stocks

Land storage is almost completely exhausted.

It could prove good news for companies like [Algoma Tankers](#). As the oil glut worsens, tankers are storing more surplus barrels.

Rates are already rising, with some tankers said to be earning over \$100,000 a *day*.

The longer this drags on, the more you stand to profit.

And it seems Algoma's management believe there's even more potential ahead. Last year, they greedily bought back shares, a clear signal that they expect valuations to rise.

Conclusion

If you're investing in oil, this could be a once-in-a-lifetime buying opportunity.

Focus on big companies with plenty of assets. This can help them survive, perhaps even *thrive*, through the oil shock.

Personally, I would avoid pure U.S. shale producers. Many of them need oil prices at \$40-\$90 just to break even. Of course, they may be rescued with government bailouts. However, that would only make me more convinced that the U.S. dollar is going down.

Also, many oil companies have mouthwatering dividend yields. But take this with a pinch of salt. They are on the ropes and will need a lot of cash to pull through. You shouldn't be surprised if dividends are cut.

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