Forget the Price War: 2 Great Canadian Oil Stocks to Buy in April

Description

Canadian crude is at an historic low. The current market is eating away at the remainders of already weak demand. Crude now effectively costs more to ship than to buy. The list of reasons to avoid Canadian oil stocks is as long as your arm. But forget the price war. There are reasons to buy right now, too — reasons that are unique to this market and could make bold contrarians strong energy upside in the long term.

Think "wide moat" and buy for the long term

Enbridge (TSX:ENB)(NYSE:ENB) and **Parex Resources** (TSX:PXT) are about as complementary as a pair of Canadian oil stocks can be. On the face of it, they're very different stocks. But it's their differences that make them complementary. You've got a major blue-chip midstreamer in Enbridge, paired with a tight oil operation in Parex.

Heavy crude is becoming a problem for a lot of producers right now. The cost of the commodity itself is now below the cost to ship it. Pundits have been proclaiming that oil is effectively free. For one thing, if you own a stake in the pipeline network, you're sitting pretty. For another, if your oil names have solid balance sheet, you have less to worry about there, too.

Parex is down 40% in the last year, while Enbridge is down 15.7% year on year. While this looks bad at a glance, these dips show some resilience to the market bloodbath of the last few weeks. Meanwhile, they also display great value for money. That discount has also pushed Enbridge's dividend yield up to a very appealing 8%.

A buy-and-hold Canadian oil stock

Parex is an especially strong play if you're looking for a cash-rich producer. Its balance sheet is exceptional and its overheads are lower than the norm. Canadians expecting an uptick in oil prices at lower risk than the competition have a strong play here. TSX investors should be steering clear of names with high debt or narrow profit margins. Parex has neither of these issues and makes for a more reassuring long-term buy.

Looking at the markets, some great oil names have had huge slices carved off of their share prices. No hydrocarbon name has been immune. The situation was a long time coming, though. Even a stolid bull like Jim Cramer has announced that he can't foresee making money for people in oil stocks anymore. However, up here in Canada, oil is still a major investment theme.

The bottom is not yet in sight, though. As Bill Ackman insightfully said last Friday, "It's the virus, stupid." He's right. The markets will not recover until there's a healthcare resolution. Markets are looking for answers. In the meantime, however, contrarians are buying stocks.

The bottom line

Now is not the time to own little oil stocks with big commitments. That's why it makes sense to own the midstreamer and not the small producer. Owning an increasing position in the network may make more sense than investing in the shipper, though Parex is a strong example of the latter.

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