



## Why Canadian Natural Resources (CNQ) Stock Price Lagged the TSX Index by 150% in March

### Description

**Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)) stock price was underperforming long before the coronavirus came along — and long before the Russia-Saudi Arabia oil price war. But in March, those two events were the final nails in the coffin. Today, it appears that without major intervention, [the Canadian energy sector will face ruin](#).

In March, the **TSX** fell 17.7%. It was a month to remember, a month when the coronavirus began affecting our everyday lives, impacting our physical, emotional, and financial health. Today, in early April, this shows no sign of letting up.

What we *can* do here at Motley Fool is relieve some of the anxiety related to our financial health. I would like to start off by reminding investors of the importance of reviewing our stock holdings periodically. In volatile times like these, a review is natural and essential.

All oil and gas stocks, such as Canadian Natural Resources stock, have been underperforming in March and for a long time now.

Let's see whether there's an opportunity here.

## Canadian Natural Resources stock price lagged the TSX because of the oil price collapse

In March, oil prices collapsed big time as Russia and Saudi Arabia increased supply, worsening the situation significantly. This was in addition to the destruction in demand that resulted from the coronavirus shutdown — so we have a double whammy at work here.

It is the worst possible scenario of rising production and plummeting demand. Storage facilities are filling up quickly as demand levels have fallen off a cliff. Some analysts are expecting up to 35 million barrels a day in oil demand will be destroyed.

It is no surprise that in all oil and gas stocks are underperforming in this environment, including Canadian Natural Resources stock. It doesn't matter whether the individual businesses are healthy or well run. The hit to their bottom line is insurmountable.

Revenues are plummeting and whole businesses are being placed into question. Many companies, including Canadian Natural Resources, will not meet their guidance and investor expectations are being adjusted downward. The questions that remain uncertain are when will the economic shutdown be over, and what will happen to the oil price.

## The bullish case for Canadian Natural Resources stock price

Canadian Natural Resources is [a high quality oil and gas company](#) with high quality operations and reserves. The company's production is 80% oil. Its reserves are long-life, low decline, and low risk. It's being hit hard because it is an oil and gas producer and thus highly reliant on upstream oil and gas prices.

The company recently cut 2020 capital expenditures by 25%. Yet, production guidance was maintained, a testament to the quality of its reserves. Also, Canadian Natural Resources has a strong balance sheet which makes it relatively resilient to this crisis.

Ottawa is preparing a multi-billion dollar bail out of Canada's oil and gas sector. Work continues on the Trans Mountain pipeline expansion and work has started on the Keystone XL pipeline. The fight is on to save the Canadian oil and gas industry.

## Foolish final thoughts

In closing, I would like to remind Foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, short-term stock price movements often create opportunities to create wealth.

We therefore need to blend this long-term focus with an eye for short-term stock mispricings. Only then can we use both strategies in harmony. We can fulfill our quest for financial freedom.

We have to try to see through this stressful time to what lies on the other side of it. Canadian Natural Resources is a key player in the Canadian oil and gas industry.

If you believe that this industry still has a future, Canadian Natural Resources is a high-quality name that will participate in this future.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks

3. Investing

## **TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

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