



Market Rally: This Stock Has Already Doubled... and Could Easily Double Again

Description

Will today's market rally keep going, or will rough economic data turn investors bearish again? That's the question on every investor's mind today.

I prefer to look at things another way. Rather than focusing on what the market has done lately, I try to look at every investment individually. The state of the overall economy matters, and so do the fundamentals of that particular business. Short-term market moves don't matter so much.

Still, it's nice to put cash to work during a market rally. A rising tide helps lift all boats, after all. Investors must just remember that a rally is a helping hand, nothing more. Besides, if a company's fundamentals are strong enough, shares can go higher even if the rest of the market is weak.

Let's take a closer look at one company with a bright future, assuming one little caveat.

Surprisingly bullish

Considering everything that's going on with the oil market, it might be a bit of a shock to hear I'm bullish on the sector. The thesis is relatively simple — the news just can't get any worse.

We've all heard about the recent carnage in the energy market, of course. It all culminated a little over a week ago when crude oil prices [slipped into negative territory](#) for the first time ever. Demand for crude oil continues to be woefully low as most people are still confined to their homes. Many say it'll take months for demand to bounce back.

And yet, despite all this, there's an energy market rally going on right now.

For instance, **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) shares have rallied more than 25% since oil dipped into negative territory. With most investors still pretty bearish on crude, this doesn't seem to make much sense.

But if we go back a few more weeks, the stock's rally is even more pronounced. Canadian Natural

Resources shares bottomed under \$10 each back in the latter part of March. Just a few weeks later, shares have more than doubled. The stock is currently sitting at \$22 and change despite suffering through negative crude prices.

Even if this broad market rally doesn't continue, I still think Canadian Natural shares could double again from here.

The upside case

Canadian Natural is Canada's largest oil producer. It extracted some 1.1 million barrels of oil per day in 2019 from its various production assets, with the company's focus primarily on the oil sands.

Like many of its peers, Canadian Natural has taken many steps to try and bring down production costs. The effort has been worth it, with the company's two main oil sands assets being able to boast average operational costs of approximately \$8 per barrel of oil.

The company's natural gas production also boasts low operating costs, something that will be interesting if natural gas prices continue to stay firm.

This company has huge potential if crude oil prices continue to march higher. In 2019, when the commodity averaged closer to \$50 per barrel, Canadian Natural generated \$6.3 billion in free cash flow. As I type this, shares have a market cap of just \$26 billion. It doesn't take a math genius to figure out how cheap that is.

If you believe crude oil continues to march higher from here, then the market rally for this company is just getting started. Shares could easily double again.

And remember, investors are getting paid an eye-popping 8.2% dividend while they wait, a payout that is secured by a strong cash position. The company also has a solid record of [raising its payout](#), a streak it'll put effort into protecting.

The bottom line on this market rally stock

It's simple. If you believe oil will continue to rally from here, then so will Canadian Natural Resources. Even if this market rally hits a few hiccups — as they all inevitably do — Canada's top oil producer is positioned nicely as a long-term play on the commodity.

If oil rallies back to 2019 levels, shares could easily double from here.

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