Should You Buy Cheap Oil Stocks Right Now?

Description

Oil prices around the world are experiencing the most significant collapse we have ever witnessed. The incredibly low value of crude oil per barrel has caused a substantial devaluation of top oil stocks on stock markets around the world. With shares of energy stocks dipping to worrying lows, the bargains are becoming too hard to ignore right now.

We are in the middle of a global health crisis right now, and buying shares of oil companies might be the last thought on your mind. It can be a challenge finding ideal stocks from oil companies that are trading for lower prices but are operationally sound. The COVID-19 pandemic has led to a prolonged shutdown in the economy. It is likely to lead to many companies becoming bankrupt the longer it goes on. Many oil companies are losing production and sales. I'm going to discuss why there has never been a better opportunity and why you should consider buying shares of high-quality energy operators.

I think this is the perfect time to buy cheap oil stocks such as **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) and **Suncor Energy** (TSX:SU)(NYSE:SU).

Canadian Natural Resources

Canadian Natural Resources is a low-risk oil producer that enjoys a low decline rate and long-life reserves. With the oil prices in shambles, we are seeing that even the most top-rated oil stocks are suffering amid the current market meltdown. A stock like CNQ, however, is something you cannot count out as being an excellent stock to own.

The broader market is being decimated, and CNQ has had to cut capital spending. Despite the hostile economic environment, CNQ has a resource of low decline and long-life assets that make it an enviable operator. The company has long-term plans to reduce its emissions. As technology advances, we know CNQ can achieve its goals.

The world needs oil and gas. CNQ is a company with the kind of balance sheet that makes it a top buy. The energy company also has a robust business model that can allow it to weather the storm and bounce back strong when the economy recovers.

Suncor Energy

Suncor enjoys a unique position in Canada's energy industry. It has an integrated business model that has long been a friend of the stock in challenging economic times like the current market meltdown. An integrated oil company, Suncor does not just benefit from revenues due to production but also through its refinery and marketing business.

Suncor's diversified exposure provides the company with relative insulation from the effects of oil price volatility compared to production-focused oil companies. It also makes Suncor an excellent long-term buy during a market downturn.

At its current price, Suncor has an unbelievable 7.97% dividend yield. The company supports its dividends through a robust balance sheet, low debt levels, and substantial profitability. Suncor has no debt maturities in 2020, and its liquidity position is well over $9 billion. Along with lower expenses and production, Suncor has every chance of coming out of the current situation stronger than before.

Foolish takeaway

With oil stocks trading for remarkably low prices, the question should not be whether or not you should buy shares of energy companies. Instead, you should be in search of high-quality operators in the sector that are likely to come out of the slump relatively unscathed. To this end, I think both Suncor and Canadian Natural Resources can make excellent additions to your portfolio.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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