Is Oil Set to Spike? Buy This Stock and You Could Double Your Money in 2020

Description

It's no secret that oil has been a terrible investment for, well, years. The sector has crushed spirits, destroyed wealth, and left investors with a sour taste in their mouths. After all that pain, the stocks are now even cheaper than they were a year before.

Nevertheless, I can't help but look at the sector and feel that there's a lot of money to be made in the sector if you can stand a little more pain.

Let's face it. If this isn't the greatest amount of suffering a sector can be subjected to I don't know what is. Commodity prices turned negative, for Pete's sake, OPEC drove the price into the ground, and the entire global economy has shut down. It's so far-fetched it's almost comical. If I were a movie producer trying to think of as far-out a scenario as I possibly could without involving aliens, I don't think I could have come up with this!

Blood in the streets

At this point, oil stocks are either going broke or trading at rock-bottom prices. If you want to buy when there is blood in the streets, there's not a much more dire circumstance than there is right now.

Just take a look at **Torc Oil and Gas Ltd.** (TSX:TOG), for example. It is trading down 70% at the time of this writing at a price point of just over $1 a share. This company was trading at $4 a share not too long ago, and even at that level, the price was ridiculous.

This company has cut its dividend, to be sure, but it still has a yield of about 5% on its shares. It still has a net debt of $382 million, which isn't great to see, but there are positive aspects to the name as well.

As fellow Fool contributor Christopher Liew recently stated, Torc is not a low-risk investment by any stretch. But the company does have some positive attributes. It has a major shareholder in the CPPIB (Canadian Pension Plan Investment Board) owns a large stake in the oil producer.

This about as stable a partner as you can get, which will hopefully continue to stick with the investment through tough times.

Western Canadian Select Price

Another positive factor for Canadian oil stocks at the moment is the spot price of Western Canadian Select (WCS). At the moment, WCS is trading at $28 a barrel, while WTI is trading at $32. This is one of the narrowest spreads that we have seen in some time, increasing the income from western Canadian oil producers like Torc.

Global issues might surprise to the upside

Two major political factors might make oil drive upwards sooner rather than later — the first is the fact that oil production is being shut down extremely quickly. If oil demand increases, it will be difficult to increase production quickly to meet demand.

You don't simply turn on a tap to start production. People need to be hired. Plans need to be made. It takes time to get production up and running again.

The second upside surprise dynamic is the very real possibility that demand will increase sharply once it comes back online. Oil demand will most likely rise quickly from a very low level. The upside surprise may drive oil prices higher as demand begins to exceed supply, or rather, as demand expectations exceed supply.

The bottom line

The past several months were a perfect, deadly storm for oil companies. The streets are drenched with the blood of oil companies like Torc. I'm not going to lie: these are risky investments with dividends I would not count on for income.

But the upside potential is worth far more than losses from downside risk. You could triple your money easily if you take a chance on an oil stock like Torc.

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