



Top Canadian Oil Stocks Are Rebounding: Time to Buy?

Description

After getting crushed in the global economic slowdown, Canada's [top oil stocks](#) have begun to recover.

Behind this momentum is the fast-changing demand and supply equation. Countries are gradually re-opening their economies, helping to bring traffic back on roads and letting industries resume their production.

According to a recent report in *Bloomberg*, Chinese oil demand is all but back to levels last seen before Beijing imposed a national lockdown to fight the coronavirus outbreak.

China is the world's second-largest oil consumer, behind only the U.S., and the country's quick turnaround has helped tighten the petroleum market sooner than expected. West Texas Intermediate crude, which a month ago plunged into negative prices, surged on Monday above \$30 a barrel.

For top Canadian oil stocks, this is certainly a good development. If oil demand recovers quickly, it will signal a bottom in the current downturn cycle, providing these producers a chance to balance their books.

Since COVID-19 forced governments to lock down their citizens and close businesses, many top oil companies have slashed their spending plans and cut or reduced dividends.

Top stocks selling cheap

Among these producers including **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)).

Suncor said this month it's slashing its capital spending this year between \$3.6 billion to \$4 billion, which is down from an already reduced range of \$3.9 billion to \$4.5 billion. The board also cut the company's quarterly dividend to \$0.21 a share from \$0.465.

After plunging to just \$15 a share, Suncor stock has gained 53% since then, trading at \$22.86 a share at writing.

Canadian Natural Resources has so far avoided announcing dividend cuts, while focusing its attention to spending controls. Its stock has rebounded 28% during the past month, trading around \$24 a share.

This is no doubt a very uncertain time for these top oil producers. Even if travel restrictions are eased in the second half of the year, the IEA projected this year's global oil demand will fall by 9.3 million barrels a day from 2019, erasing almost a decade of growth.

In this highly uncertain environment, [picking the right oil stock](#) has become more challenging. But when things look awful in any sector, it is the time to look for opportunities and find deals. In the Canadian oil space, I like both Suncor and CNQ over other producers.

Taking advantage of attractive prices, Saudi Arabia's sovereign wealth fund has built stakes in both top stocks during the energy market rout.

The Public Investment Fund amassed shares in CNQ and Suncor, with a 2.6% and 2% stake in these top stocks, respectively. PIF is now the eighth-largest shareholder in Canadian Natural and 14th largest in Suncor, according to data compiled by *Bloomberg*.

Bottom line

Canada's top oil stocks may not get back to their previous levels this year, as oil demand remains depressed. This situation could change quickly if oil demand recovers and the pandemic is contained, offering long-term investors a chance to buy these top oil stocks at attractive levels.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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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