



Canada Oil News: Saudi Bets on TSX Energy Stocks

Description

The energy sector just saw an interesting turn of events. Saudi Arabia's sovereign wealth fund purchased shares in two **TSX** oil stocks, **Canadian Natural Resources Ltd** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Suncor**.

Saudi Aramco, an energy firm in Saudi Arabia that recently went public, is one of North America's biggest energy competitors. Relative to North America, energy companies in Latin America and the Middle East have a comparative advantage in terms of cost to produce a barrel of oil. Thus, energy businesses in these countries can afford to sell oil at lower prices.

At the start of March 2020, Saudi Aramco began an oil price war with Russian energy interests. By the end of April, oil fell to historic lows at less than \$0 per barrel. The negative price reflected fear from energy investors that they will lose money on current reserves, including storage fees.

Throughout May, oil prices rebounded. On Monday, the OPEC basket and US oil rest at around \$29 and \$35 per barrel, respectively. Canadian Crude costs \$27 per barrel.

Canadian Natural Resources underperforms TSX index

Throughout 2020, Canadian Natural Resources has underperformed the **S&P/TSX Composite Index**. While the **TSX Composite Index** has only lost 10.71% year to date, Canadian Natural Resources has lost 38.79% of its value.



As of Monday, the price per share of [Canadian Natural Resources](#) stock is \$25.71. The price of the TSX oil stock is finally near 10-year lows. Even investors who aren't a fan of energy stocks must admit that now is a decent time to invest in the oil and natural gas sector.



The coronavirus pandemic has grounded airplanes and reduced other high carbon-emission activities. Despite low demand for oil, it's possible that we have already hit a bottom in the stock market value of major oil players like CNQ.

Saudi TSX investments generate interest

Followers of the energy sector are commenting on the recent Saudi investments in publicly-traded Canadian oil firms. These commentators feel that the recent purchases by the Saudi Wealth Fund signal a bottom in prices:

“Saudi causes an oil collapse; then buys up \$CNQ \$SU Canadian oil sands stock at extreme discount. Doesn't take genius to figure out what comes next, nor how our nation is under commodity attack by foreign interests on all sides. <https://t.co/pdByGjRzPA>”

— Dr. Keith R. Brunt (@prof_brunt) May 18, 2020

Saudi Arabia may intend to profit from the bottom in the prices of these Canadian energy stocks — a bottom created that country's oil sector.

Should you buy this TSX oil stock?

Many savvy stock market players follow the investments of large institutions like Saudi Arabia's sovereign wealth fund. Finding a good trading partner is never a bad idea.

Further, Canadian Natural Resources issues a fairly high dividend. At the current share price, the dividend yield is over 6%. The only risk is a possible decrease in future dividend payments. On May 7, Canadian Natural Resources announced a quarterly cash dividend of \$0.425 to shareholders on record as of June 12.

Canadian Natural Resource shareholders are lucky that the company didn't slash its dividend like many other publicly traded companies in today's market.

We don't know what the company will do in future quarters, but it appears that Saudi Arabia's sovereign wealth fund is feeling pretty bullish on the stock.

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