



## Value Investors: 2 Oil Stocks That Are Set to Soar

### Description

After some hard years of being an oil investor, it is nice to see stocks moving in a bit of a positive direction. Oil prices are far beyond the negative prices that we saw a few months ago and are now trending slightly higher. The increase has brought the decimated oil sector up with it.

In this article, I am going to make the outrageous argument that there is money to be made in the oil sector. It's even possible that you might have even already made a little, as stunning as that statement might be.

### Two stocks to look at

I think it's time to review two of my favourite oil stocks, **Whitecap Resources** ([TSX:WCP](#)) and **Arc Resources** ([TSX:ARX](#)). In spite of all the horrible pain that investors have suffered, these two still represent enormous value and the potential for huge returns. In fact, the potential returns are even greater now than they were when the stock price was higher.

If you invested in these at the depths of the March stock market crash, you would have already more than doubled your money. These stocks have been doing everything right during what is possibly one of the toughest periods in oil investor history. They have been deleveraging and buying back shares at massively discounted prices. Certainly, [dividends have been cut](#), but even your dividend today is decent if you are looking for some income while you wait.

Currently, Whitecap has a yield of over 7% and Arc has a yield of just over 5%. These [dividends are not assured](#), since they are dependent on oil prices, but they are a bonus while you wait for the stocks to turn around. If you manage to hang on to these stocks, and the yields remain in place, you'll get an average yield of 6% across the two stocks.

### Results

The results were ugly in the recent quarter. There is no need to dress them up. After the recent results,

book value is not as appealing as it was before the crash. Whitecap is trading around its present book value, and Arc is trading at just higher than half of its book value.

The interesting thing about book value, though, is that a portion of these asset losses is mark-to-market losses. If oil prices go up, company assets, such as reserves in the ground, will go up as well, making the company appear more valuable.

It is similar to when you check your stocks in the morning and see they have gone down or up. The losses are unrealized paper losses, reducing your apparent overall wealth. When they go up, you seem richer, even though you hold the same number of shares.

## You aren't the only one buying oil

If you decide to join the oil investor's club, you will be joining a global cadre of large investors. The Saudi Sovereign Wealth fund is buying up assets, as is the Chinese government. They are taking advantage of the situation to build their holdings of oil. Certainly, there will be demand once economies start moving again, and these nations will hold the keys.

## The bottom line

I will give you the same line I have given many times before. Investing in commodities is not for the faint of heart. Do not throw your life savings into them. Fortunately, a small investment can grow quickly and massively if things head your way. These stocks are cheap, and the world will continue to use oil for at least a few more years. Even a small investment in these stocks could have massive gains if oil turns, as we have seen in the past few months.

In the meantime, enjoy the dividend while you have it and add on drops if you have a little to put in. If you had the fortitude to add when shares were under a dollar, you probably averaged down to the point where you are sitting at a low cost basis. There is still a good chance these stock will be money makers in the long run. Hang in there, oil investors.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)
2. TSX:WCP (Whitecap Resources Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
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