



Oil Rush! 2 Energy Stocks for the Coming Recovery

Description

Everyone knows that oil stocks are cheap. They have been cheap for years and keep getting cheaper. Investors are throwing in the towel as the decline continues to pound investment dollars into the ground. In spite of the cheap nature of these stocks, there will be winners who will come out far ahead if they continue to own and buy more of these stocks.

The giants

Most foreign capital has been pouring into the two largest oil companies in Canada, **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)). The Saudi Sovereign Wealth Fund and even the Oracle of Omaha Warren Buffett himself added to their holdings in recent months.

In the case of Buffett, it's especially interesting given that the legendary investor has not been buying much of anything these days.

The Saudi Fund has bought a 2.6 percent stake in CNQ and a 2 percent stake in Suncor, giving them a decent holding in these companies. These are long-term investors — and about as stable a partner as you'll find.

Value

Investors are throwing away oil stocks en masse. These companies struggled of late, with oil prices collapsing to negative for the first time in history recently. Unfortunately, companies with unhedged production like CNQ and Suncor were hit very hard. It's little wonder that already-scarred investors decided to throw in the towel.

The crazy sell-off made these stocks cheap. You were essentially getting the stocks for next to nothing with their stocks trading well below their asset values. Even today, [Suncor is trading](#) around its book value after marking-to-market its assets in the recent report. CNQ is trading at about 0.86 times book value.

Dividends

A few months ago, this was a happier story to tell. Back in February, both of these stocks were dividend growers with a recent dividend increase. Unfortunately, Suncor has fallen from grace in this regard by slashing its dividend by about 50%. While it still has a yield of around 3%, it was very disheartening to see that cut to income.

CNQ [kept its dividend](#) in place, which was more encouraging. The management seems confident in maintaining the dividend for the time being. The yield sits at about 7% at the moment.

If it manages to stay intact through this period, the dividend will be the best in the industry. If you are looking for the closest thing to a stable dividend the Canadian patch offers, this is your best shot.

The bottom line

Buying these stocks can be a wealth builder over time. It sure doesn't seem like it after years of pain and suffering in the oil patch, but the truth is that their products are still in demand. Countries, companies, and legendary investors see the value in the oil patch.

These stocks still have dividends, even if the dividends have been reduced in the case of Suncor. This year is likely maximum pain for the sector, which means this could be a good buy point for people looking to make money in the sector.

If you want to own large, integrated producers to benefit from rising oil prices, these two stocks are your best bet.

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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Author

krisknutson

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