



The Best Canadian Stocks to Buy as Oil Prices Firm

Description

Oil prices have been wildly volatile in 2020. An example of this is the fact that they fell into negative territory in April. But oil prices started the year quite strong — above \$60. So, while oil prices are volatile, even in the best of years, this is a whole other level.

Now, let's talk about oil and gas stocks. These days, this elicits two types of reactions. The first borders on outrage, even disgust. The second is a reaction of plain indifference. These reactions might scare some away. For me, it is these very reactions that spark my interest. They mean that oil and gas stocks are surely trading at very attractive valuations

The trick is knowing which oil and gas stocks to buy. Some have already not made it through the carnage. But others will thrive. Here are the best Canadian energy stocks to buy for oil exposure today.

Canadian Natural Resources: Best-in-class oil stock

The thing about **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is that it's a pretty consistent cash generator. For an oil and gas producer, this is pretty impressive. For example, 2020 has been a horrible year. But Canadian Natural still generated \$2.2 billion in cash so far in 2020. The company is able to do this because of the nature of its assets. These assets are long life, predictable, and low cost. Also, this Canadian stock requires relatively little capital investment.

Canadian Natural Resources stock has skyrocketed in recent weeks. This is the result of two things. First, the stock had gotten way too cheap. It was beaten down by unrealistically negative sentiment. Second, oil prices are strengthening. There's the hope of a vaccine. Maybe there's even a realization that oil will be required for many years yet. [It will power an eventual economic recovery.](#)

Suncor Energy stock: The integrated oil stock

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock is a great selection for those who are not convinced that oil prices will continue to rally. Because of its integrated model, this Canadian stock doesn't have as

much exposure to oil prices. Its refining business makes up a big chunk of its revenue. In this business, what matters is the refining margin. Two things are important here. The first is the value of products coming out of the refinery. The second is the price of the raw material going into the refinery — that is, oil. So, we can see that Suncor's refining business has little direct oil price exposure.

CNQ stock and Suncor stock have both increased over 50% this month. These Canadian stocks won't stay cheap forever.

Some analysts are calling for oil to make big gains in 2021. An economic recovery would facilitate this. Today, the price of oil is back up to almost \$50. An economic recovery would mean rising oil demand. I mean, oil is still the only energy source that can provide us with all the energy we need.

Motley Fool: The bottom line

The expectation that the price of oil will rise in 2021 is interesting. But there are also other factors that, taken together, build a convincing buy case. For example, the market is utterly indifferent to oil stocks. Therefore, oil stocks are trading at dirt-cheap valuations. Also, the two stocks I highlighted in this article are top notch. Canadian Natural Resources stock and Suncor stock are [large cash flow generators](#). They are the best at what they do. And they will continue to skyrocket as their value becomes more obvious. Essentially, they are the best Canadian stocks to buy today for oil exposure. The oil and gas sector is not dead. There's some life in it yet.

CATEGORY

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1. Editor's Choice

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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