



Ride the Bull Market in Energy With This Top TSX Stock

Description

The energy sector is one that is coming into focus with the economic reopening backdrop in full swing. Indeed, a bull market in energy is finally starting to take form. And for large-scale producers such as **Cenovus** ([TSX:CVE](#))([NYSE:CVE](#)), this is a very good thing indeed.

Here's why Cenovus remains a [great pick](#) in today's environment.

Bullish sentiment taking hold

The energy sector is finally starting to get a lot of love from the markets. Indeed, analysts appear to be getting as bullish as investors of late. The Global Energy equity research at RBC Dominion Securities recently raised its oil price assumptions for its models. This signals the move from big money into recognizing the structural changes unfolding in the energy market.

Indeed, as long as crude oil is needed to power our economy, companies like Cenovus will do very well. An [ESG-focused](#) transition away from fossil fuels is underway. However, how long this transition takes is a key focal point for investors right now.

Rising demand for fuel has driven the stock prices of producers like Cenovus higher of late. Higher oil prices translate into more robust margins and cash flows over time. Given the double down Cenovus made on oil with its recent acquisition of Husky, this upturn in the energy market could make this deal seem like one of the most well timed, given the circumstances.

Indeed, Cenovus is a stock that's been highly criticized of late for its strategic moves. However, I believe all can be forgiven in a commodities bull market. Indeed, those bullish on a continued bull market for some time may do well to consider Cenovus right now.

Bottom line

Over the past year, Cenovus has almost doubled its share price, rewarding its investors in the best possible way.

However, the Husky deal has left some investors in search of other energy options. As a result of the deal, Cenovus had to monetize some its non-core assets. That said, the core assets acquired from Husky have continued to produce higher cash flows. A higher oil price, at around US\$70 WTI, certainly helps in this regard. Cenovus's cash flow and profitability growth of late have been impressive.

The company has brought in a profit of US\$200 million this past quarter. This comes after recognizing a one-time integration fee of US\$245 million for the Husky deal. Accordingly, investors can rest assured Cenovus's results will continue to improve should oil prices remain elevated.

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