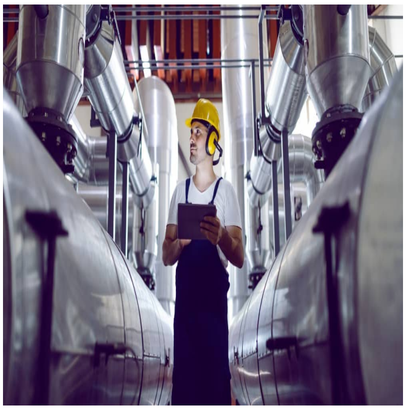

Oil Prices Up 95%: 2 Stocks to Buy Today

**Description**

Oil prices have surged more than 95% since November 1, 2020, as the vaccine raised hopes of a recovery in oil demand from the pandemic dip. However, some variables, both on the demand and supply side, have pulled oil stocks down in July. Is this a good opportunity to buy oil stocks?



## Why did oil stocks dip in July?

Although there are fears of the Delta variant fast spreading in some parts of the world, other parts are reopening economies. After 15 months of restricted transport, the restrictions are easing. Airlines are scheduling flights, factories are firing up their burners, and the major economies are returning to normalcy. There is pent-up demand for air travel, business jet, automotive, and other industries that laid low during the pandemic.

The global oil demand is returning in batches, and that is what caused the oil price to surge 95% to US$71.81/barrel, a level last seen in 2018. The Arab countries that depend heavily on oil exports are in dispute over how much oil they should supply.

These countries took a significant blow when oil prices went negative in March and were trading below US$40 until November 2020. They were forced to sell some of their inventories for losses.

Hence, Saudi Arabia wants to keep the oil price high by limiting the growth in oil supply, whereas the United Arab Emirates (UAE) wants to increase supply. While Arab countries work out their disputes, oil sand companies in Canada are facing troubles from environmentalists. Oil sands are carbon-intensive and contribute to about 10% of Canada's emissions.

The situation around demand and supply has put oil prices at crossroads, where the needle can move either side. Hence, oil prices fell 4.4%, and oil stocks fell between 10% and 18% in the last two weeks.

## Two stocks to buy in the current oil bears

You may wonder if the above factors will have a lasting impact on oil stocks. The answer is no. The demand is coming. You can't stop people from flying or travelling by road or water. If not people, cargo will travel. Even if you want to replace oil (gasoline, jet fuel, petroleum), it won't happen overnight. This sea change will take years. However, I agree that oil demand has peaked, and it would gradually descend from here on.

## Suncor Energy

The current environmental action has forced Canadian oil sands companies like **Suncor Energy** ( TSX:SU)(NYSE:SU) to find cost-effective ways to produce oil while reducing carbon emissions. This has pulled the stock down 12.58% in July.

Suncor and other oil sands companies, with the help of the government, have launched the Oil Sands Pathways to Net Zero initiative by 2050. Environmental concerns have always been part and parcel of oil sands companies, but they don't impact the company's short-term growth.

Suncor stock surged 70% since November 2020 as oil prices surged. The pent-up air travel demand could drive oil prices further and also the stock price of Suncor.

## Enbridge



Then there are issues with oil pipelines. Pipelines are prone to oil spills, and their route harbours waterways and wildlife. While pipelines have environmental risks, they are the fastest and most economical solutions to transmit oil and natural gas.

The growing environmental awareness led to the demise of **TC Energy's** decade-long Keystone XL Pipeline. Now **Enbridge's** (TSX:ENB)(NYSE:ENB) Line 5 has come under fire with the State of Michigan. As it becomes difficult to build new pipelines, the existing ones become more valuable . Enbridge has an advantage as it operates North America's largest pipeline infrastructure.

Moreover, oil prices have no direct impact on Enbridge. It has diversified to natural gas pipelines and wind farms. However, the pipeline operator benefits from an increase in oil demand as it earns its toll money on volumes.

Hence, the stock surged 34% since November 2020 and only dropped 1.7% in the July oil bears. Its 6.7% dividend yield will hedge you from Suncor's volatility.

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