



## Oil Price Could Hit \$100: Top 2 Stocks to Hold

### Description

China, Europe, and India have recently experienced blackouts and factory closures due to a lack of energy. The British, meanwhile, are lining up at gas stations to stock up as the price of a barrel of Brent Crude oil hits US\$80. Nearly every energy commodity, from coal to natural gas, is hitting fresh highs.

Experts don't expect the supply crunch to ease in time for peak demand during the winter months ahead. In fact, they expect these pricing issues to spread across the world. In other words, investors need to add energy and oil stocks to their portfolios to brace for a bleak winter. Here are the top two picks for the near term.

### Oil stock #1

**Suncor** ([TSX:SU](#))([NYSE:SU](#)), Buffett's favourite Canadian oil stock, is an obvious choice on this list. Suncor stock is up 24% year to date, which is better than the rest of the stock market but not as good as other energy stocks. That means it still has room to run.

At the moment, Suncor stock is trading at 26.5 times earnings per share and a 14% discount to book value per share. Earnings and book value are expected to accelerate as the world faces an energy crisis in the near term. Suncor stock is already ticking higher — up 11% in the past month alone.

This robust and undervalued energy stock should certainly be on your radar for winter 2021.

### Oil stock #2

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is living up to expectations as a smart bet for anyone looking to gain exposure in Canada's energy sector. The stock is outperforming the overall market and is up 20% year to date.

This stock cemented its position as a safe haven during the most recent crisis. After the COVID-19 turmoil of 2020 that resulted in oil prices plunging to record lows, the company succeeded in sustaining its dividends.

As other companies slashed and withdrew dividend payments, the company avoided reducing and kept its multi-decade growth streak alive. A dividend yield of 4.50% is one of the highest in the industry, thereby affirming the company's free cash flow base.

Canadian Natural Resources was able to cover its hefty dividend payments thanks to \$2.095 billion of free cash flow, which improved as oil prices bounced back. In the first half of 2021, the company's free cash flow increased to \$3.39 billion, leaving it in a solid position to meet shareholder commitments.

Canadian Natural Resources was able to cover its dividend with oil price trading at around \$39 per barrel. Consequently, it should be able to generate significant shareholder value with oil prices stabilizing above the \$60 a barrel level. Bay Street expects the company's 2021 [revenue to rise by 66%](#) from 2020 levels.

While the stock is not cheap going by the price-to-earnings of 8, it is a small price to pay for a company generating significant free cash flow and paying a massive 4.5% dividend yield.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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