



Why Cenovus Energy Stock Rose 22% in September

Description

Cenovus Energy ([TSX:CVE](#))([NYSE:CVE](#)) is one of Canada's top integrated oil and gas companies. It's the third-largest Canadian oil and gas producer. It's also the second-largest Canadian-based refiner and upgrader.

What happened?

Cenovus stock soared an impressive 22% in September. Why? Simply put, energy stocks like Cenovus rise and fall along with oil and gas prices. So, when we try to explain why CVE stock rallied so hard in September, we must start there. In the month, we have seen a sharp rally in oil and gas prices. For example, WTI oil rose more than 7%. And natural gas? Well, it rose an astounding 11.5%. And this is over and above the impressive price gains that were already made throughout the year.

So what?

As we can tell, Investors are digesting a rapidly changing energy sector. In fact, the phrase *energy crisis* is being thrown around. And all the while, we continue to hear about how the energy sector is pumping out the cash flow. Of course, all of this brings us down to the bottom line: the energy sector is making a comeback. Within the sector, there are many high-quality companies that have been languishing over the past few years as [oil and gas](#) prices plummeted — companies like Cenovus Energy. This company has a history of operational excellence.

So, Cenovus Energy stock was just waiting in the wings for commodity prices to cooperate. The company did a fine job with the controllable variables. Yet the stock price was going nowhere. But in September 2021 and during the whole of 2021, oil and gas prices were cooperating. Therefore, Cenovus Energy's stock price has been on a tear.

Now what?

After many years of investors shunning oil and gas stocks, could there be a sector rotation at play here? I mean, considering that the oil and gas sector is becoming one of the best-performing sectors on the TSX, I would say a resounding “yes.” Institutional investors are mandated to make the best returns possible for their clients. If they underperform the index, this does not bode well.

We have learned a lot about fossil fuels and the environment. First, we’ve learned that global demand for fossil fuels won’t go away overnight. Second, we’ve learned that Canadian oil and gas is among the best in terms of environmental impact. Third, we’ve learned that oil and gas companies are working hard at eliminating their carbon footprint. Cenovus Energy is on a path to increased shareholder returns as cash flows soar.

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1. Energy Stocks
2. Investing

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Date

2025/08/18

Date Created

2021/10/01

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