



Can the Bull Market in Oil Continue Running?

Description

The recent momentum commodities have seen is impressive. Indeed, the price of oil has been on quite the run of late, breaching US\$85 per barrel, recently. Accordingly, those considering whether this [bull market](#) in oil can continue appear to be factoring in this momentum of late.

Given this current commodity price environment, I'm going to discuss one top Canadian energy play investors may want to consider right now. Let's dive in.

Brent sees highest levels since 2018 on global energy crunch

Amid signs of the crude market rapidly tightening from a global energy crunch, Brent crude recently closed at its highest level in roughly three years.

The global benchmark for crude has continued higher, with some analysts projecting a potential top at or above the 2011 commodities bubble. This rising price of Brent has carried through to other oil prices, boosting the valuations of energy producers around the globe.

Expectations are that supply-and-demand metrics are likely to remain bullish for some time. Accordingly, analysts are now pointing to +US\$90 per barrel as a likely outcome this year.

For energy producers such as **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)), these higher oil prices provide a direct boost to the company's bottom line. Accordingly, where investors see commodity prices a year or more down the road is likely to determine what sort of valuation investors are comfortable with paying right now.

Could a dividend increase be on the horizon?

The impressive improvement energy producers such as Cenovus have seen is likely to have various impacts for investors. Among the key question many investors have is whether Cenovus could hike its dividend from here.

The energy provider has set an internal leverage benchmark, which needs to be hit before executing share buybacks or dividend increases. The company's extremely [low yield](#), a result of COVID-era cuts, has actually been on the decline since the commodity bubble popped last. Accordingly, investors don't seem to have much faith in Cenovus's ability to be consistent with its dividend payouts.

That said, should this bull market in oil be sustained, there's a lot to like about the potential for investors to receive consistent (and higher) dividend payouts.

Bottom line

As far as energy plays go, Cenovus remains a high-leverage pick on this sector. For those bullish on the strength of this bull market in commodities, this is a good thing.

Of course, risks to the downside could materialize. Accordingly, investors may want to look at owning a diversified portfolio of stocks across a range of sectors.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

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