



Why This Could Be the Top Energy Stock in Canada Right Now

Description

For Canadian investors, the energy sector is one that's near and dear to many long-term investors' hearts. Indeed, the Canadian economy is uniquely tethered to the energy sector, more so than most countries. However, picking a top energy stock from the bunch can be a difficult task.

In this article, I'm going to discuss why I think **Methanex** ([TSX:MX](#))([NASDAQ:MEOH](#)) could be one of the best energy stocks in the market right now.

Let's dive in.

Analysts believe in this energy stock

Energy prices have been on the move of late. Anyone following what's going on with inflation right now will note the energy sector plays a big role in the numbers we're seeing.

What this ultimately means for the economy has yet to be seen. However, for investors in the energy sector, this is a broadly positive thing.

Analysts are increasingly jumping on rising energy prices as a reason why methanol producers such as Methanex could do very well in the coming quarters. Indeed, Methanex has already announced increases to its Asian contract prices and its North American non-discounted reference for the month of October. Analysts believe that strong energy demand, supply constraints, and other factors could drive methanol prices higher.

For an energy stock with sensitivity to not only energy prices but climate initiatives, Methanex stands to benefit from a number of secular tailwinds. As regional governments look to meet targets by year-end, it's expected Methanex could see a marked increase in activity in the coming quarters.

One doesn't have to be a genius to see Methanex is an energy stock set up for success right now.

Excellent fundamentals

Given this macro outlook, Methanex is an energy stock that looks attractive from a fundamentals standpoint. The company's stock price is trading at half its previous highs, when methanol was trading around these levels. Currently, Methanex trades at less than [14 times earnings](#) — a relatively attractive level in the energy sector and the market as a whole.

Methanex isn't a big [dividend](#) play for investors. Indeed, this stock only yields around 1.1% at the time of writing. However, the company's cash flows are likely to gradually rise along with margins. As long as energy prices remain where they are, Methanex looks like a real steal at this level.

Bottom line

Clean energy adoption is only likely to pick up. For investors with a view of the long term, companies like Methanex provide exposure to this trend along with strong cash flow potential.

No stock is without risk and guarantees profits. The same is the case with Methanex as well. But for those with a truly long-term investment time horizon, this certainly seems like a great stock to consider right now.

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1. Energy Stocks
2. Investing

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