



Here's Why Canadian Energy Stocks Are Plummeting Today

Description

What happened?

This morning, stocks across the board, as well as oil prices, have been falling heavily, as coronavirus cases have been seeing a resurgence, and the discovery of a new variant has stoked fears throughout markets around the world.

And although stocks in almost every industry have been declining today, Canadian energy stocks have been some of the worst impacted.

So what?

After months of oil prices climbing excessively, as well as governments looking for solutions to help ease the supply glut, President Biden opened the strategic oil reserves [this week](#).

However, just days later, with countries in Europe seeing a resurgence of cases causing new lockdown measures to be enforced, and now the discovery of a new coronavirus variant in [South Africa](#), markets tumbled, and oil prices are currently down by almost 12%.

Because oil-producing nations have been pumping out tonnes of oil lately, especially with the massive rally in prices and strong demand over the last few quarters, investors are worried that if we see more lockdowns around the world, it will inevitably lead to a significant surplus of oil in the coming months.

When lockdowns are imposed, the demand for energy, especially gasoline, drops significantly. For example, during the very first lockdown in 2020, oil prices even briefly [traded in negative territory](#) because the surplus was so large.

Now what?

It's still unclear how badly the new variant could impact the global economy. However, it has been found to be a lot more infectious and resilient to our current vaccines, which is why this is one of the most significant pullbacks we have seen due to the pandemic since the recovery began.

Some major Canadian energy stocks that are leveraged to the price of oil, such as **Suncor Energy** and **Freehold Royalties**, are down as much as 8.7% and 7.6%, respectively, at midday trading.

While this is a significant [market pullback](#) as a result of these fears, it remains to be seen how long this will last. What we do know is that it could create some excellent opportunities for investors who have a long-term outlook.

Energy stocks have been some of the top performers this year, and investors who bought at the bottom while they were out of favour in 2020 have seen the best returns.

So, it will be crucial to monitor the situation closely. But should this selloff continue into next week, I'd be looking to take advantage of the best Canadian energy stocks while they trade undervalued.

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