Energy Stocks: Trends to Watch for in December

Description

It seemed like there was smooth sailing ahead for energy stocks. Yet after crude oil prices hit US$82, the price has slowly dropped. As of writing, prices are at US$78 for crude oil.

These losses may be moderate, and some Motley Fool investors may believe that the pullback is a sign to buy. But not so fast. There are certainly some continuing trends to watch this December among energy stocks. So, let’s take a look at what Motley Fool investors should watch and where your money could go instead.

OPEC+ production

The Organization of Petroleum Exporting Countries (OPEC+) will meet next week to discuss whether its production strategy should change. OPEC+ members have been adding a total of 400,000 barrels a day since August. This major increase comes after huge cuts made during the early days of the pandemic.

But there’s a problem. The stagnant production for energy stocks is what’s made energy prices climb. The United States argues more production should come on the market to cool increasing oil prices. In fact, several OPEC+ members may indeed release reserves to help offset the increasing price. Yet this could mean OPEC+ responds by pulling back output.

More likely, analysts think, is that OPEC+ continues to push out as much as it can. Yet the pandemic continues to be a strain. Therefore, the struggle to meet targets will continue to create a volatile situation for energy stocks.

Inflation

Both in Canada and the United States continue to be hampered by inflation. This will then put pressure on oil prices as well. U.S. president Joe Biden wants to increase the supply of oil to bring down the price, helping with the inflation issues currently plaguing Americans and the world.

The situation is similar in Canada. And Canadian energy stocks definitely want to increase production, if they can. Reducing energy costs could also help to reverse inflation. While that's good for those of us buying products, it's not so good for energy stocks and, really, the market in general.

If energy stocks surge, should you buy?

Energy stocks are down a bit right now, with some analysts believing a rebound could come soon, perhaps in December. But does that mean you should buy?

If you're a long-term Motley Fool investor, honestly, the answer is probably "no." In the next year or two, oil prices will continue to be risky. True, an increase in oil prices is great, and the world definitely still depends on fossil fuels. But short-term gains do not mean long-term returns.

So, as oil and gas output remains stagnant, there could be an uptick in energy stocks once production increases. But instead of keeping your fingers crossed, it's probably better to consider another area of investment — especially as analysts predict the falling of West Texas Intermediate from around US$80 today to US$66 per barrel in 2022, and US$60 per barrel by 2024.

Green energy stocks a better option

Instead of looking at the short-term benefits of oil prices, December is a great time to pick up green energy stocks. These companies continue to trade on the 52-week low end. Yet they represent the future. Sure, a lot of investment in infrastructure needs to happen first. But there are already some producing strong revenue.

One I would consider is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). Brookfield continues to invest in clean energy infrastructure. Not just one type and in one country, but around the world in each type of energy project. It's also been around for decades, providing investors with stable returns.

As the world moves to clean energy, Brookfield stock and others are likely to start climbing higher and higher — especially if oil remains so volatile. Yet as of writing, Brookfield is a steal. Shares trade at a discount of 26% year to date. Further, it has a valuable 16.44 EV/EBITDA. You can also pick up a dividend yield of 3.16%. All after among energy stocks it announced record results during its latest earnings report.

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