Market Pullback: Should You Bail on Energy Stocks?

Description

The **S&P/TSX Composite Index** was down a whopping 344 points in late-morning trading on November 30. This is now the second trading session in three days wherein Canadians stocks have been broadly punished due to ongoing global volatility. The energy sector was down 2.5%, as the rise of the Omicron variant has put a dent in the oil and gas price bull market. Today, I want to discuss whether investors should bail on energy stocks in the face of this market pullback. Let's jump in.

Will the emergence of the Omicron variant torpedo the energy rally?

The price of WTI crude has retreated from the US$85 mark to around the US$65 mark at the time of this writing. Meanwhile, Western Canadian Select (WCS) has also fallen by more than $20 in the month-over-month period to $46.95 per barrel as of late-morning trading on November 30. The emergence of the Omicron COVID-19 variant in South Africa and now in several countries in the developed world has thrown global markets into turmoil.

Oil and gas demand had been on a sharp rebound in 2021, as vaccine rollouts inspired a return to normal. However, a return to new restrictions threatens to draw back the progress that has been made since the beginning of the year.

Why I'm still sticking with this top energy stock for the long haul

Suncor Energy (TSX:SU)(NYSE:SU) is one of the top integrated oil and natural gas companies on the planet. Shares of this energy stock have climbed 46% in the year-to-date period. However, the stock has retreated 5.5% month over month at the time of this writing.

The Calgary-based energy company returned to form in the first nine months of 2021. Net earnings were reported at $2.56 billion — up from a $4.15 billion loss in the year-to-date period in 2020.

Meanwhile, operating earnings jumped to $2.51 billion over an operating loss of $2.10 billion for the first nine months of the previous year.

Suncor recently hiked its quarterly dividend back to its pre-pandemic rate of $0.42 per share. That represents a strong 5.3% yield. It possesses a favourable price-to-earnings ratio of 19. Canada and its peers have indicated that a return to lockdowns is likely out of the question, as countries now have new tools, including vaccines, to combat future waves. That bodes well for the demand that Suncor and its peers will rely on.

Two more energy stocks to watch after the sharp market pullback

Investors should also keep an eye on top energy stocks like **Cenovus Energy** (TSX:CVE)(NYSE:CVE) and **Imperial Oil** (TSX:IMO)(NYSE:IMO). Shares of these energy stocks have dropped 4.9% and 3.4%, respectively, over the past week. Both stocks have posted very strong growth in the year-to-date period.

Oil price fluctuations will almost certainly have a big impact on these equities in the weeks and months ahead. I'm more inclined to take profits in these energy stocks rather than buy the dip with so much uncertainty in the air.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSEMKT:IMO (Imperial Oil Limited)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:IMO (Imperial Oil Limited)
6. TSX:SU (Suncor Energy Inc.)

PP NOTIFY USER

1. aocallaghan
2. kduncombe

Category

1. Investing

Date
2025/08/18
Date Created
2021/11/30
Author
aocallaghan