FIRE SALE: Why I'm Buying the Dip in Energy Stocks Today

Description

Oil and gas prices have fallen sharply due to the emergence of the Omicron COVID-19 variant. Its rise has spooked global markets and led to concerns that oil and gas demand could again be threatened. Today, I want to discuss why energy stocks are worth buying on the dip in this pullback.

Why the oil selloff is an overreaction

Last week, I'd discussed whether investors should bail on energy stocks in the middle of this market correction. I'd suggested that investors snatch up oil and gas stocks in early December.

The price of Western Canadian Select (WCS) has plunged over $10 in the month-over-month period. Meanwhile, WTI crude has also slipped from its 52-week high. Investors should not give up on the oil and gas space. On the contrary, this is an opportune time to buy the dip. A note from **Goldman Sachs** recently called this selloff overdone and maintained its $85/barrel projection for WTI crude going forward.

Two super energy stocks to snatch up after earnings

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a Calgary-based company that acquires, explores for, develops, produces, markets, and sells crude oil, natural gas, and natural gas liquids. Shares of this energy stock have climbed 76% in 2021 as of early afternoon trading on December 7. The stock is already on the rebound after its early December dip.

In Q3 2021, Canadian Natural Resources posted monster revenue of $7.71 billion and a $2.2 billion profit. Its daily production jumped from the previous year, while its commodity mix benefited from higher prices across the board. This energy stock possesses a favourable price-to-earnings (P/E) ratio of 11. Moreover, it now offers a quarterly dividend of $0.588 per share. That represents a solid 4.2% yield.

Suncor Energy (TSX:SU)(NYSE:SU) is an energy stock I'd suggested investors continue to scoop up in late November. Its shares have jumped 48% in the year-to-date period. However, the stock has dipped 3.1% month over month.

The company unveiled its third-quarter 2021 earnings on October 27. It delivered funds from operations of $2.64 billion, or $1.79 per common share — up from $1.16 billion, or $0.76 per common share, in Q3 2020. Like its peers, Suncor was powered by higher production and improved commodity prices.

Shares of this energy stock last had an attractive P/E ratio of 19. It doubled its quarterly dividend to $0.42 per share, which represents a strong 5.2% yield.

One more energy stock to consider during this selloff

Crescent Point (TSX:CPG)(NYSE:CPG) is another energy stock to consider buying on the dip in early December. This energy stock has shot up 120% in 2021. Its shares have jumped 17% in the week-over-week period.

In Q3 2021, Crescent Point bolstered its balance sheet and generated $180 million of excess cash flow. It delivered adjusted funds flow of $393 million, or $0.67 per diluted share. This energy stock boasts a very attractive P/E ratio of 1.7. It offers a quarterly dividend of $0.045 per share. That represents a modest 1.8% yield.

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