



## Is This the Best Time to Buy Oil Stocks?

### Description

Oil stocks have had an incredible run in 2021. Could this momentum be sustained in 2022? Here's a closer look.

### The energy rally has momentum

Energy traders have had a rough ride since the market crashed in 2015. The price of this black commodity stayed range bound for several years. Then in the pandemic it actually dipped below \$0. All these years of low prices have meant little to no investment in new infrastructure and oil drilling.

In other words, production capacity has been reduced significantly. However, demand for energy is spiking to a record-high. Europe faces an energy crisis while China and India are trying to import as much as they can. These issues aren't likely to be resolved soon. That's why the ongoing rally in oil stocks could continue for much of 2022.

### The best oil stock to buy

There's plenty of excellent oil stocks in Canada. However, if you're looking for an overlooked name, **Imperial Oil** ([TSX:IMO](#))(NYSE:IMO) should be on your radar.

A spike in oil prices to multi-year highs has made the stock a firm favourite on the risk-reward front. Imperial Oil stock has shot up by more than 70% year to date. The stock has also outperformed the TSX index, which is up by about 17% over the same period.

Imperial Oil has more room to run. Its fundamentals are stronger than ever.

### Solid financials

Pullbacks have so far acted as ideal entry points as the stock has re-rated higher on oil prices finding

support above the \$60 a barrel level. The surge in oil price explains the impressive quarterly results that Imperial Oil is fresh from posting

The company saw its net income skyrocket to [\\$908 million](#) in the third quarter compared to a paltry \$3 million delivered the same quarter last year. Net income, on the other hand, landed at \$1.66 billion or \$2.31 a share, up from a net loss of \$711 million or \$0.97 a share delivered the same quarter last year.

## Passive income prospects

While Imperia Oil is not an energy giant in Canada, it is turning out to be an ideal play for investors eyeing passive income in the energy sector. The company has been [paying dividends](#) for 140 years, raising dividends for 26 consecutive years. It currently pays a dividend yield of 2.55%. That's not the highest yield, but after 140 years I'd say it is certainly reliable.

Despite the 40% plus rally year to date, the stock is currently trading at a discount with a forward price-earnings multiple of 8. Trading at \$42 a share, the stock is still attractive for bargain-hunters.

## Bottom line

There's a global energy shortage. After years of low prices, producers haven't invested in production capacity. Now, demand is roaring back. This trend could continue in 2022. That's why oil stocks should be on your radar. Imperial Oil is an energy play worth paying attention to.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSEMKT:IMO (Imperial Oil Limited)
2. TSX:IMO (Imperial Oil Limited)

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