



Why Canadian Natural Resources Stock Rallied 12% Last Week

Description

What happened?

The energy sector has started 2022 on a very positive note after having a banner year in 2021. Canadian oil and gas stocks soared 8% last week, while the biggest energy stock, **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)), surged a notable 12% for the week ended January 7, 2021. Crude oil raced above US\$80 per barrel last week, indicating its strength keeping pace this year as well.

So what?

Crude oil prices have rallied more than 50% in the last 12 months. As a result, energy companies have seen superior financial growth since mid-2020. Oil prices ticked higher last week when the [report](#) showed that OPEC is missed its December production target by a wide margin.

The capacity constraints had pulled back the supply, while the demand has been growing strongly. The smaller countries in the cartel are still reeling under the pandemic pressures, leading to such a dispersion.

With the recent surge, Canadian Natural Resources stock has jumped to record levels and is sitting on 80% returns for the last 12 months. It posted a net income of \$5.1 billion in the last 12 months — a strong increase from its \$435 million loss in the earlier year. In addition, the company aims to increase its production to 1.2 mboe/d in 2021 — an increase of 7% year over year.

Importantly, CNQ could see such a superior financial growth streak in 2022, driven by higher production and continued strength in energy prices. If energy prices keep fairly high relative to last year, expect a notable jump in CNQ's free cash flows in 2022. It could consider strategic acquisitions in that case, which would unlock substantial [value for shareholders](#) in the long term.

Almost all TSX energy stocks jumped after oil rose sharply last week. Peer **Vermilion Energy** stock

soared 10%, while **Cenovus Energy**, too, soared a decent 12% last week.

Now what?

Debt repayments and [dividend hikes](#) have been the industry-wide theme since last year to utilize the excess cash. Canadian Natural increased its dividend by 25% last November. It has also been repurchasing 1% of common shares outstanding, or 11 million shares per quarter.

Investors can expect the trend to continue this year, as oil prices look in great shape. CNQ stock seems relatively strong with its robust balance sheet, juicy dividend yield, and solid earnings growth prospects.

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