3 Stocks That Might Dip Following OPEC+ Supply Hike

Description

The energy sector has seen a lot of fluctuation in the last two years. First, the pandemic dried up the demand, and even normal energy production resulted in a costly surplus, causing oil futures to drop to unprecedented levels. Then, when demand recovered, supply shortages helped push many Canadian energy stocks higher than they have been in years.

But two factors might hurt the momentum the energy sector has developed. One is the newly raging Omicron variant of the COVID. And the other is OPEC boosting supply. It did so in December, yet the supply fell short of demand. However, if the supply is raised while demand falls, the Canadian stocks might feel the negative impact as well, not just the OPEC.

An oil sands giant

Suncor (TSX:SU)(NYSE:SU) stock has grown about 120% since Nov 2020, and it's still going upwards. Part of it is the optimism gripping the energy sector. But it's also getting more investor attention since it doubled its payouts for the last quarter of 2021. Even though the payouts are not yet at the level where the company slashed it, they have gotten quite close.

As a result, despite the decent surge in share price, the current yield is still a juicy 4.9%. However, if there is another phase of surplus and no demand coming, Suncor might suffer alongside the sector. And it might face more challenges due to its dependence on the oil sands, which offer a less-than-ideal mixture of quality and cost of refining compared to light crude.

An integrated oil company

Cenovus Energy (TSX:CVE)(NYSE:CVE) experienced a significantly more aggressive bull run compared to Suncor. The stock fell about 80% during the crash. And the high fall led to a significantly higher rise when the stock started recovering at an incredible pace. Since its lowest point during the 2020 crash, the stock has grown a whopping 623%, and it's still climbing up.

Cenovus is quite overpriced right now, and the growth, which has been quite marvelous till now, is heavily padded on optimism. And if that optimism is taken away from the equation, which will happen whether the sector-wide correction is triggered by the OPEC-induced surplus or by the new COVID variant, the stock might fall just as hard as it did before.

An oil-focused infrastructure company

As essentially an infrastructure company, **Gibson Energy's** (TSX:GEI) prospects are tied to the energy sector, but it doesn't fluctuate as hard in response to the oil prices as the pure energy companies do. Still, it experienced a massive 49% fall during the pandemic, and it still hasn't fully recovered from that fall.

This is good news for investors that still want to buy it for the dividends, as the company is currently offering a juicy 6% yield. But if another phase of correction is coming, the stock might fall further down, pushing the yield up to a more attractive number. Despite the high payout ratio, the company has grown its payouts for the last two years.

Foolish takeaway

The energy sector is still riding one of the most aggressive bull runs it's seen in the last decade. But the sector grew too much, too fast, and a correction seems just around the corner. It would be premature to say how long the next energy bear market is, but you may have to wait a while till the energy stocks you are tracking truly hit rock bottom.

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