Is it Time to Take Profits in Energy Stocks?

Description

The price of WTI crude shot above $100 this morning. Energy prices are climbing in response to the worsening Russia-Ukraine conflict. Russian launched its invasion on February 24, 2022. Since then, the crisis has intensified, with NATO allies placing historic sanctions on the Russian state. The **S&P/TSX Capped Energy Index** was up 2.3% in mid-morning trading on March 1. Are energy stocks destined to reach new heights in 2022?

Here's why oil prices may be close to the top

Russia-Ukraine tensions are powering oil prices right now. NATO allies are providing aid in many forms, including weaponry. However, negotiations are reportedly underway between the Russian and Ukrainian leadership. A surprise peace deal appears remote, but investors cannot rule it out.

Meanwhile, negotiations between the United States and Iran have reportedly progressed very well in recent weeks. February reports suggest that the two sides are very close to a deal. Indeed, the Russia-Ukraine conflict has heightened urgency. If a deal is struck, Iran's vast oil reserves will be unleashed on the broader market. This could lead to a retreat in oil prices due to the jump in supply.

Suffice it to say, investors should be paying close attention to these unfolding events. **Citigroup** recently projected that the coming supply surge would overcome the upward pressure that has been generated by the Russia-Ukraine war. It projected that the price of WTI crude could fall back to $60. How will energy stocks respond?

How do these top energy stocks look today?

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is set to unveil its final batch of 2021 results early this month. Its shares have climbed 30% so far in 2022. Meanwhile, its shares have increased 96% in the year-over-year period.

In the third quarter of 2021, this company delivered revenue of $7.7 billion — up from $4.5 billion in the previous year. Meanwhile, diluted earnings per share jumped to $1.86 over $0.35 in Q3 2020. Shares of this energy stock possess a favourable price-to-earnings (P/E) ratio of 14. It offers a quarterly dividend of $0.588 per share, which represents a 3.3% yield.

Imperial Oil (TSX:IMO)(NYSE:IMO) is another top oil and gas company. Shares of this energy stock have climbed 20% in the year-to-date period. The stock has increased 102% compared to the same time in 2021.

The company unveiled its fourth-quarter and full-year 2021 earnings on February 2. Net income surged to $813 million or $1.18 per diluted share compared to a net loss of $1.15 billion or $1.56 per diluted share in the previous year. It achieved its highest production over a quarter-century in 2021.

This energy stock currently possesses an attractive P/E ratio of 16. It also offers a quarterly dividend of $0.34 per share, which represents a 2.4% yield.

Bottom line

Energy stocks have thrived since the beginning of 2021. Investors need to be ready for the coming supply increase. Markets are in turmoil due to the ongoing geopolitical crisis. Now may be the perfect time to take profits and sit on extra cash.

CATEGORY

1. Energy Stocks
2. Investing

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Date
2025/07/21
Date Created
2022/03/01
Author
aocallaghan