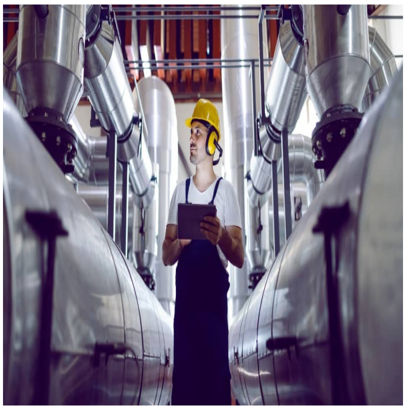

1 Top TSX Energy Stock That Could Skyrocket as Oil Surges Past $110

Description

Oil's incredible rally is remarkable, lifting most of the ailing TSX energy stocks out of the gutter of 2020. Indeed, few people thought that WTI would ever be the same that moment when it went negative for the first time in history back in the ominous spring of 2020, when the coronavirus was scaring broader markets. Indeed, the COVID recession recovery has been quite robust. With the Ukraine invasion by Russia, WTI prices have surpassed the US$111 mark at writing. In under two years, WTI went from negative to over US$110. It's been a jaw-dropping move, and if you just stayed contrarian, as I recommended back in 2020, you likely did very well.

Many thought oils were on their way out — a death knell phase, or whatever you'd like to call it, with the rapid rise of green energy stocks. I took a contrarian stance, not ruling out a surge back above US$100, as demand looked to overwhelm supply after the initial COVID-induced demand shock. Indeed, my call came true just under two years later. Looking back, it was not easy to make such a call. Not with so many euphoric investors ready for the rise of renewable energy. I noted that it was utterly unrealistic to think that renewables would replace fossil fuels over just a few years, also pointing out to a potential bubble brewing in select green energy names.

Fast forward to today, and it's clear that the green energy hype got a tad out of hand back in 2020. **Brookfield Renewable Partners** stock plunged over 36% from peak to trough, with fuel cell firm **Ballard Power Systems** imploding over 77% from peak to trough. It's been ugly. But it goes to show the value of thinking like a contrarian.

Today, TSX energy stocks are in a bull market of their own. It doesn't matter if the market is in correction territory; this is the year of the oil stock. Despite their runs, I believe that the best has yet to come. Should WTI continue climbing above US$120, I think many of today's fossil fuel stocks could prove undervalued.

Canadian Natural Resources

My top pick in the TSX energy stock space is **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), the new king of Alberta's oil patch. The firm has diversified its mix into natural gas and is in great shape to weather any blow-off top in the energy markets. For now, though, I do not believe that the current valuation suggests investors believe oil will remain above US$110 per barrel. It's an unrealistic assumption to make, given how volatile the commodity has been in recent years. That said, I also believe that some skeptics doubt oil will remain above US$100 or even US$80.

I think there's a scenario that could see oil remain above US$75 per barrel for longer. Thus far, firms have been prudent and disciplined with production ramp-ups thus far. If oil stays elevated, firms like CNQ could turn on the spigot and earnings will flow right back into the pockets of investors.

At 14.7 times earnings, CNQ stock is dirt cheap, but it could get cheaper, even as its stock rises above $80 per share. The stage is set in such a way that I think it'll be hard to keep the O&G kingpin depressed for long.

With a juicy 3.3% yield, I'd look to buy and hold for the next several years. Even if you're not an oil fan, I think the diversification benefits of owning a well-run commodity producer is well worth the price of admission.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. joefrenette
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date
2025/07/19
Date Created

2022/03/06
Author
joefrenette