



Energy Stocks: It's Their Time to Shine! To Buy or Not to Buy?

Description

The Russia-Ukraine conflict has driven oil prices to over US\$115 per barrel. Russia produces about 15% of world's oil supply. The war increases the uncertainty surrounding the world's oil supply, which is why oil prices have hit new heights lately. As a result, energy stocks have headed higher. It's their time to shine!

While energy stockholders may be happy about their oily stocks, let's not forget where energy prices (and energy stock prices) were not too long ago. During the onset of the pandemic in 2020, oil prices fell into the negative price territory. Even though it was only briefly, energy stocks also hit basement prices.

- [Canadian Natural Resources stock](#) dropped to below \$10 per share in 2020. Now, it trades at \$75 per share — a +7.5-bagger. CNQ in particular shines because it maintained its dividend-growth streak through the pandemic.
- **Suncor** stock fell to below \$14. Now, it's at \$40, price gains of about 186%.
- [Whitecap Resources stock](#) was about \$0.50 per share during the pandemic market crash. Now, it's at \$9.99 for a 20-bagger!
- **Baytex** stock was at about \$0.34 per share. The small-cap stock at the time had more debt than its peers, so it was an absolutely scary period to hold during the pandemic. Now, it trades at \$5.92 — a 17.4 bagger.
- **Enerplus** stock was below \$2 per share. Now, it's at \$17.20 — a +8.6 bagger.
- **Surge Energy** stock was \$1. Now, it's at 8.46 — an eight-bagger.
- **Enbridge** stock was as low as \$30 during the pandemic. It has appreciated about 90% from that level.
- **TC Energy** stock was at \$42.50 in 2020. Now, it has climbed 69% to \$71.73.

Is there still upside for energy stocks?

Certainly, there could be more upside for energy stocks, as the Russia-Ukraine conflict doesn't seem to be ending soon. At these high levels of oil price, many energy stocks are gushing with cash and

could potentially pay out special dividends.

However, when the Russia-Ukraine war ends, whenever that may be, oil prices will come tumbling down to normalized levels. Will energy stock investors be able to retreat quickly enough to protect their gains and capital? When to sell is not as big a concern for pipeline stockholders who bought at good valuations, as pipeline stocks are primarily for stable dividend income. In fact, Enbridge and TC energy could sit nicely as anchor income stocks for long-term stock portfolios.

The Foolish investor takeaway

Aside from the pipeline stocks, stock returns of energy producers are generally highly unpredictable because of the volatility of the underlying commodity prices. Both the pandemic in 2020 and the Russia-Ukraine conflict now are black swans that swung commodity prices to either end of the spectrum. When will the next black swan appear and potentially push energy stocks down again to basement prices, like what happened in 2020?

Energy stocks are already shining, but they could still fly higher in the near term. Where in the stock market are stocks that have been thrown out of investors' portfolios? It'd be much safer to invest in those areas than in energy stocks over the next three to five years.

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