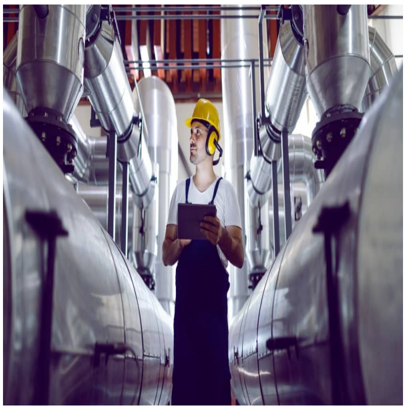

Oil Dips Below $100: Should You Bail on Energy Stocks?

Description

Earlier this month, I'd discussed the bull market for the oil and gas market. Indeed, the price of Brent crude rose above US$130/barrel at one point in the weeks following Russia's full-scale invasion of Ukraine. Today, I want to discuss the recent dip in the oil market. Should investors steer away from energy stocks? Let's jump in.

Here's why have oil prices been throttled in recent days

Oil prices were already on a run since late 2020 and early 2021. Markets responded to improved demand, as vaccine rollouts promised a return to normalcy. Meanwhile, supply has remained low.

Russia's invasion of Ukraine sparked a massive response from NATO and European Union allies. Its economy has entered crisis mode in response to stiff sanctions. The United States moved to ban Russian oil imports, which sparked another price jump.

Oil price inflation has softened in response to reports that Russia and Ukraine have made progress on ceasefire talks. Moreover, China moved to introduce new lockdowns on the mainland in response to rising COVID-19 cases. This has rattled the market, as there are concerns this could negatively impact demand going forward.

Should investors look to take profits in energy stocks?

In the beginning of March, I'd discussed whether it was time to take profits in Canada's top energy stocks. I'd argued that ongoing negotiations between the U.S. and Iran, which could lead to a surge in supply, could lead to an end to the oil bull market. Those negotiations have cooled in March, but separate factors have led to a decline for oil.

Cenovus Energy (TSX:CVE)(NYSE:CVE) is a Calgary-based company that develops, produces, and markets crude oil, natural gas liquids, and natural gas in North America and the Asia Pacific region. Shares of this energy stock have climbed 15% in 2022 as of early afternoon trading on March 16.

However, the stock is down 8% over the past week.

It is not too late to gobble up profits in Cenovus Energy stock. The stock is up 84% in the year-over-year period. Moreover, it offers a modest dividend yield.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is another top oil and natural gas producer. Its shares have increased 35% in the year-to-date period. The stock has surged 90% compared to the same time in 2021.

This energy stock still possesses a solid price-to-earnings (P/E) ratio of 11. It now offers a quarterly dividend of $0.75 per share, which represents a 4% yield.

I'm still bullish on this energy stock in March

Suncor (TSX:SU)(NYSE:SU) is the third energy stock to keep an eye on in this environment. The company has put together a great performance after a difficult 2020. Its shares have climbed 14% so far this year. Its shares are up 34% year over year.

The company doubled its quarterly dividend payout to $0.42 per share in 2021. This represents a solid 4.4% yield. Suncor still possesses a very solid P/E ratio of 13. Suncor remains one of the top powerhouses in this space. I'm content to hang onto this stock, even as oil prices weaken ahead of the spring season.

CATEGORY

1. Energy Stocks
2. Investing

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