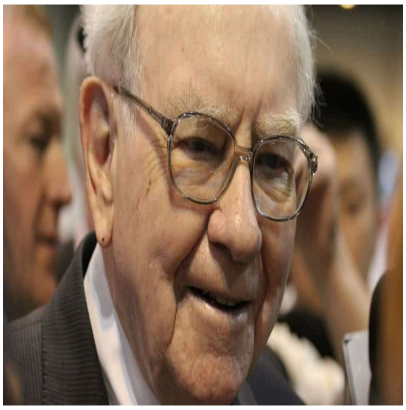

Warren Buffett Is Loading Up on Energy: Should You?

Description

The bull market for energy has dragged on longer than it would have under normal circumstances. Initially, the catalyst was the supply crunch. Later on, geopolitical events introduced uncertainty in the market regarding oil production which pushed the price up quite a bit. The initial push sent the price per barrel (for WTI crude) upwards of US$100, and it's still there.

And even though we can't be sure whether it's the only factor feeding the energy sector momentum, it's a significant variable in the equation. Another is the "endorsement" from investment gurus like Warren Buffett, who is heavily loading up on energy. According to the filings, he increased his position in **Chevron** five-fold in the first quarter of the year.

What's more surprising than the magnitude of its energy investment is the timing. He bought when the stock was already soaring relatively high, following the bullish trend of the sector as a whole. And if you wish to follow his lead and invest in energy, even if you might feel late to the game, there are two energy companies you should consider investing in.

A fully integrated energy company

Suncor (TSX:SU)(NYSE:SU), the oil sands giant in North America and one of the few fully integrated energy companies in Canada (especially at its magnitude), is a relatively close match to Chevron. Suncor does it all, from oil production (albeit from a costly source like oil sands) to refining to selling it to consumers through its extensive network of fuel stations.

This also means that it benefits (across the board) from rising oil prices and increased demand. The stock has seen remarkable growth since October 2020 and has risen over 200% to date. It has restored its dividends quite near the point they were slashed in 2020.

And if all of this, plus Buffett's optimism regarding energy, means that the stock might keep growing at this pace for a decent enough time, you can buy now and still grow your capital by a sizeable margin.

A major energy producer

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) saw even more phenomenal growth in the last couple of years, and the market value of the company has risen over 575% since the 2020 crash value and is currently double its pre-pandemic peak. This growth is not remarkable purely from a scale perspective, even though heavyweights like CNQ rarely see the growth of such magnitude.

It’s impressive, because the stock was one of the few in the energy sector that wasn’t downtrodden after the 2014-2015 decline that pushed down the sector. And the growth seems entirely financially sustainable if we consider the price-to-earnings ratio of 12.7 times.

Despite the stock’s meteoric rise in the last couple of years, the yield is quite decent at 3.66%. However, even if you are optimistic about the sector, you may consider waiting for a dip to buy.

Foolish takeaway

Many energy sector stocks, including the two above, are currently quite coveted growth stocks on the stock market. The question is how long will the growth last from this point forward. We can assume that Buffett, who is a staunch proponent of holding good assets long term, might not have seen the end of the current bullish run anytime soon, or he wouldn’t have made this investment earlier this year.

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2. Investing

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adamothman