Canadian Natural Resources (TSX:CNQ) Stock: A Perfect Pick for Income and Value

Description

To say the stock market has gotten off to a rough start to the year would be a vast understatement, with the S&P 500 plunging into a bear market on Friday, joining the likes of the tech-heavy Nasdaq 100 exchange.

The TSX Index has been relatively resilient thus far. Still, it may not be far away, as investors brace themselves for a potential recession due to the U.S. Federal Reserve's war against inflation. Undoubtedly, the Fed has been dovish, helping drag the broader economy out of the gutter in the early part of 2020. Now, the days of easy money are coming to an end. The punch bowl is being taken away, and it's been investors betting on high-multiple growth stocks who've had to pay the ultimate price.

Nobody knows when the stock market will bottom out or when tech will experience some sort of relief. Regardless, there's no ignoring the damage that has already been done to the tech sector. Such tech-induced damage has sent shockwaves across almost everything else over the past week. The TSX Index fell into a correction, and it seemed as though there were few, if any, suitable places to hide. From cryptocurrencies to REITs, it seemed like we were in for another panic-induced rush for cash.

Energy stocks: The last place to hide amid broader market volatility?

Energy stocks have been one of the lone pillars of stability over the past few quarters. The rally off the bottoms of 2020 has been virtually unstoppable, thanks partly to the windfall of much higher oil prices. Whether oil can stay above US$100 through 2023 remains to be seen. If the Ukraine-Russia crisis doesn't reach a peaceful resolution this year, there's a real possibility that oil could stay elevated for longer.

Further, Warren Buffett's recent big bets on big oil stocks suggest that fossil fuel stocks may have room to run. It's not just Buffett; many other billionaire investors are placing bets on energy stocks. If it is the last great sector for 2022, I do think Canadians should look to punch their ticket, if not for a shot at positive gains, for the hedging benefits they provide.

Canadian Natural Resources: Still cheap after doubling in a year

Currently, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) stands out to me as a great way to play Alberta's thriving oil sands. The Canadian energy firm bagged a big bargain during oil's coronavirus-induced collapse with Painted Pony Energy. The deal helped diversify Canadian Natural's book with some pretty stellar natural gas assets. At the time, the $461 million Painted Pony deal seemed risky amid the massive slide in commodity prices. These days, it's proven genius.

As oil continues to hold its own, Canadian Natural is in a great spot to continue raking in massive amounts of cash flow across its diversified energy businesses. If WTI stays above US$100 per barrel in a year from now, the firm may have so much cash that it may have few other places to put it, even after spending on a production ramp-up. For investors, that means huge dividend increases can be expected.

The bottom line

Even after doubling in a year, CNQ stock remains dirt cheap at a mere 10 times trailing earnings. With a 3.8% dividend yield, the stock may be one of the last places to score a real return in a year that could see stagflation.

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