Cenovus Energy Stock Could Soar if Oil Runs Past $150

Description

Canadian energy stocks have been among the hottest in the market right now. With Russia's invasion of Ukraine propelling the price of WTI (West Texas Intermediate) above the US$110 level, many of the oil producers stand to rake in record amounts of cash flow over the coming quarters.

Still, many investors seem reluctant to bet on the fossil fuel plays. Undoubtedly, these thriving names are the same ones that were stuck in the gutter for many years. It's hard to remember when oil prices tumbled into negative territory in 2020. Prices turned around in a hurry, when almost everyone was ready to throw the towel on them. Indeed, commodity prices can fluctuate wildly, and that's the real risk of betting big on the top producers.

Many surging energy stocks aren't done yet

With oil at around US$100-110 per barrel, Canada's top energy stocks may still have a tonne of rally fuel left in the tank. Recently, Jamie Dimon warned of a potential economic hurricane due to the Federal Reserve and the ongoing war in Ukraine.

With a Fed keen on stamping out inflation with a bigger dose of rate hikes, the situation seems concerning. If inflation doesn't back down, a recession is a growing possibility, especially if hikes are needed amid the economic turmoil. Further, an escalation of the Ukraine-Russia crisis could easily send oil prices much higher than current levels. Some may view the US$100-110 range as the ceiling for oil. However, Dimon noted that even higher oil prices could be possible if the right cards fall into place.

Could oil prices surge even further from here?

Undoubtedly, it seems far-fetched to think that a barrel of oil could be worth US$150 or even US$175. The same could have been said about US$100 oil back in the early part of 2020 when demand fell off a cliff.

It's a harsh environment for investors, but energy stocks may be the safe haven for those looking to outperform in what's shaping up to be a choppy ride for equities. If oil were to continue its ascent past US$110, many Canadian oil stocks might be just getting started.

With valuations that seem to reflect a possibility of a sharp retreat in oil prices, it's not a mystery as to why the smart money is betting so big on big oil these days! In this piece, we'll look at two hot TSX energy stocks that may prove worthy buys on strength.

Cenovus Energy stock: A great pick for oil bulls

Cenovus Energy (TSX:CVE)(NYSE:CVE) is one white-hot energy producer that could be one of the stocks that investors may wish to buy higher with the intention of selling higher. Indeed, energy stocks seems to be one of the last glimmers of hope in a market that's plagued by recession and inflation woes.

Indeed, Cenovus is one of the more oil price-sensitive producers in the oil patch. Shares are up over 170% over this past year alone and over 1,100% since its 2020 bottom. Indeed, the stock has gone parabolic, and it's unlikely that the momentum will last forever.

That said, US$150-175 oil could easily send the integrated energy firm to new heights not seen since the early 2010s. Undoubtedly, exogenous factors, like the war in Ukraine, dictate where oil will go next. Given how bleak the situation is, I wouldn't rule out such a surge over the next year. Indeed, it's been a long time coming for Cenovus. Though its extraction techniques could take longer to drive down breakeven prices, the windfall of much higher oil could be enough to send shares above $40 per share.

At the same time, Cenovus stock could also have further to fall if the Ukraine-Russia crisis ends and oil were to retreat back to the double digits. In any case, Cenovus is a great hedge for most investors as a top pick for energy bulls.

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Author
joefrenette