



Oil to \$150? 3 Stocks to Buy if You Think it Will Happen

Description

The **TSX's** energy sector made a resounding comeback in 2021 following a severe beating in 2020. The sector's annualized price return last year was 41.8% compared to -30.8% in the prior year. In 2022, the bull run continues because of tight supply and Western sanctions on Russian oil.

The International Energy Association (IEA) expects demand to rise further by 2%, or a record 101.6 million barrels per day (bpd) in 2023. As of this writing, Brent and WTI crude prices remain elevated at US\$121.30 bpd and US\$119.10 bpd, respectively.

Given the current situation, many industry analysts believe that an oil price drop soon is unlikely. Instead, it could even rise substantially higher or to a level not seen before. Gregory Brew, a postdoctoral fellow at the Jackson Institute for Global Affairs at Yale University, warned that the price could even hit US\$150 bpd by September 2022.

If you think the prediction will happen, load up on three energy stocks. **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)), **Athabasca Oil** ([TSX:ATH](#)), and **Obsidian Energy** ([TSX:OBE](#))([NYSE:OBE](#)) are profitable options. The first will provide recurring income streams, while the next two would deliver massive capital gains.

Monthly dividends

Pembina Pipeline attract income investors not only for the generous dividends (5.18%) but also for the payout frequency. The [energy stock](#) pays dividends every month, not quarterly. If you don't need to withdraw the dividend income, you can reinvest it 12 times in a year instead of four for faster compounding of your capital.

Also, at \$48.67 per share, current Pembina investors are up 29.83% year to date. The \$26.98 billion provider of transportation and midstream services for the energy industry is a Dividend Aristocrat. Management has increased dividends for 10 consecutive years.

In Q1 2022, revenue and earnings increased 50.7% and 50.3% versus Q1 2021. However, the

quarter's highlight was the record quarterly EBITDA of \$1 billion. The cash flow from operations also increased 43.6% year over year to \$655 million. Pembina reported strong financial results, despite the 3% volume drop in the Pipelines and Facilities divisions.

Because of the higher price outlooks for natural gas liquids and crude oil, management expects cash flow from operating activities to exceed dividends and the capital investment program in 2022.

Top price performers

Athabasca Oil and Obsidian Energy are two of the high flyers so far in 2022. The former is up 154.62% year to date, while the latter outperforms with +146.83%. Athabasca trades at \$3.03 per share, and you can purchase Obsidian for \$12.86 per share.

In Q1 2022, Athabasca reported record adjusted funds flow (\$74.76 million) and record free cash flow (\$43.83 million). Because of strong commodity prices and its low-cost structures, operating income for the quarter climbed 128.5% year over year to \$150.64 million.

Obsidian Energy's net income in Q1 2022 increased by only 2.6% versus Q1 2021, but its cash flow for operating activities soared 195.4% year over year to \$83.9 million. The \$1.05 billion oil & gas company with a vast resource base increased its capex budget for 2022. It hopes to maintain strong free cash flow generation to pay down debts.

Bullish price outlook

Industry analysts maintain a bullish outlook on commodity prices. Even if the oil prices don't reach US\$150 bpd but remain elevated, the three energy stocks should deliver superior returns this year.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:OBE (Obsidian Energy)
3. TSX:PPL (Pembina Pipeline Corporation)

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