



Is it Time to Sell Oil Stocks?

Description

[Energy stocks](#) make up a vital part of the Canadian equity markets. Where the pandemic-induced lockdowns resulted in historically low demand for traditional energy products, the post-pandemic boom has led to a relentless demand for it.

February saw Russia invade Ukraine. The resulting impact of the invasion on a global scale has combined with several other macroeconomic factors to make the supply of traditional energy products uncertain. The inflationary environment became increasingly worrisome for the entire economy.

The U.S. Fed across the border and the Bank of Canada (BoC) have had to introduce several interest rate hikes to bring inflation under control.

Unfortunately, the latest interest rate hike sparked a selloff in equity markets that have seen stocks across the board decline. The Canadian energy industry's bull run also came to an abrupt halt, reflected in a 24.71% decline from its June 8, 2022, peak at writing.

Is it time to sell oil stocks and look for opportunities elsewhere, or is it time to use the energy crunch to your advantage?

What does the energy supply shortage mean?

Despite all concerns about the need to shift to greener alternatives, traditional energy commodities are critical to everything. The energy industry plays a crucial role in producing several important products, it is necessary to fuel the vehicles transporting those items to markets, and consumers' ability to purchase energy products affects their ability to demand the goods in markets.

As gasoline prices creep higher, people are less likely to travel for many of their basic necessities, let alone travel for leisure. The core commodities are not the only thing necessary for global economies to thrive. The byproducts of fossil fuels, ammonia, nitrogen fertilizers, and so much will be short in supply.

A shortage in oil and natural gas means you cannot drive, and you cannot grow enough food to feed

everyone and do a lot of activities vital to the economy. However, does the current situation warrant selling off your shares in energy stocks and looking elsewhere for better opportunities?

Energy stock to buy right now

Regardless of the uncertainty in supply, energy products remain critical to global economies. It means that companies with business operations related to the production and distribution of energy commodities are essential. Companies like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) will remain important, despite the state of the broader economy.

Enbridge is a \$107.34 billion market capitalization multinational pipeline company headquartered in Calgary. The company owns and operates an extensive pipeline network responsible for transporting a major portion of all the oil and gas consumed in North America.

The company has grown through acquisitions and expanding its own projects over the years to establish itself as one of the biggest players in the industry.

2021's boom for the energy sector saw Enbridge put up stellar earnings. It reported a 13.2% year-over-year jump in its adjusted earnings in 2021, reflecting its performance.

Foolish takeaway

The demand for energy products will remain high in the coming years. As the economy recovers from the broader macroeconomic factors negatively impacting it, companies like Enbridge will likely be vital in the recovery process.

Enbridge stock trades for \$52.97 per share at writing, down by 11.05% from its June 7, 2022, high. It boasts an inflated 6.49% dividend yield due to depressed share prices. It could be a strong bet for investors bullish on the energy sector's recovery.

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