



2 Energy Stocks You Can Hold Even if Oil Prices Plunge

Description

Oil prices that skyrocketed to over US\$125/barrel are plunging, as fears of a global recession and another wave of COVID in China ease oil demand. As a manufacturing hub, China is a large consumer of oil. A recent lockdown in China pulled down oil prices, but the recovery in production pushed the oil prices back to \$110.

Should you hold energy stocks as oil prices plunge?

However, a similar comeback might be difficult for oil prices, as the second factor of a global recession has pulled down consumer demand. Inflation has reached levels where consumers are reducing their spending. As oil prices recede, energy stocks are losing their inflated value.

Oil is a commodity whose prices are determined by demand and supply forces. Historical data shows that [oil stocks](#) do not sustain their peak for long and fall when oil prices fall. It's time to book your profits from oil stocks. But this doesn't mean all energy stocks are in a downturn. While oil is a major source of energy, there is a growing demand for natural gas and renewable energy. Natural gas demand rises in winter, as it is a primary source of heating solution.

Tensions are heating up in Europe as Russia has paused natural gas supply to Germany from Nord Stream 1 pipeline for 10 days due to scheduled maintenance. But Europe fears that this suspension could last longer due to political tensions. If that happens, Germany could face its worst gas crisis, and Eurasia group analysts fear that it might be forced to execute level three of the [three-stage emergency gas plan](#).

Two energy stocks you can hold while oil prices plunge

It's time to rebalance your energy portfolio. Book your profits from **Suncor Energy** and **Cenovus Energy** while they still trade at 15-25% growth year to date. Instead, buy the below two stocks.

- **Northland Power** ([TSX:NPI](#))

- Enbridge ([TSX:ENB](#))([NYSE:ENB](#))

Northland Power

If you already own this wind energy giant, keep holding it. Renewable and oil stocks might work in opposite directions in the future. The United States and Europe have accelerated their efforts to address the dependence on Russian oil with renewable energy like wind and solar in the long term.

Investing is about putting money in a company that has future demand. Trading is putting money in a company that has current demand. Northland Power is the fourth-largest offshore wind operator, with operations in Europe, Asia, and the Americas. About two gigawatts (GW) of wind energy projects are operational, 2.9 GW are under construction, and 12 GW are in the pipeline. This represents a long-term investment.

The government support for wind energy would help Northland accelerate project approvals. The stock is in a long-term uptrend. It grew 90% between 2015 and 2020. This growth accelerated to 60% between March 2020 and now. While you enjoy this capital growth irrespective of oil prices, you also earn a 3% dividend yield.

Enbridge

Another energy stock worth holding on to is the pipeline operator Enbridge, because of its diversified revenue stream between oil and gas pipelines. The stock moved in tandem with oil prices but surged when natural gas demand rose. While oils stocks fell 20% in early June, Enbridge stock fell 11%. Oil continued to slip in July, but Enbridge stock rose 2% as natural gas prices surged.

As a pipeline operator, it earns revenue from the toll money it collects for transmitting oil and gas. It is affected more by volumes than prices. This resilience to oil and gas prices has helped the company pay regular dividends for 67 years. The company even increased dividends annually at an average rate of 10% in the last 27 years. Hence, it is an evergreen energy stock worth holding.

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