



3 Top Energy Stocks to Buy in August

Description

As we kick off August, energy stocks are coming back into fashion. During June and July, oil prices trended downward, as the U.S. strategic petroleum reserve (SPR) release increased supply. However, they started rising again last week for reasons that aren't known yet.

Nobody really knows whether oil prices will keep climbing this year, but it doesn't matter. The highest oil price last year was \$76, so oil could go as low as \$80 and Canada's oil producers would still produce massive growth. In this article, I will explore three oil stocks worth owning in August, including one I currently own and another I have traded profitably on two occasions.

Cenovus Energy

Cenovus Energy ([TSX:CVE](#))([NYSE:CVE](#)) has been one of the better-performing oil stocks in 2022. Up 49%, it is doing better than average for its sector. It goes without saying that CVE stock is trouncing the S&P 500 (a common standard investors compare their returns against). For the year, the S&P 500 is down 13.89%, while CVE is making gains.

Can those gains continue?

If oil prices simply stay where they are now, then yes, they probably can. The thing is that CVE stock does not appear to be "pricing in" the earnings implications of the oil prices we're seeing today. At today's prices, CVE's stock trades for just 5.5 times its cash flows. In other words, if you buy the stock today, the shares you buy "earn" back your investment in just 5.5 years. Not all of those earnings are passed on to you, but some come your way as a [dividend](#).

Occidental Petroleum

Occidental Petroleum ([NYSE:OXY](#)) is an oil stock that I currently have a small position in. It's an E&P based in the United States, that mainly extracts and sells crude oil. It also has a pipeline network, which is used to transport its oil.

In its most recent quarter, OXY [earned \\$4.6 billion](#), when it recorded a loss in the same quarter a year before. Its sales and cash flows grew considerably as well. Despite all this growth, the stock trades at just 9.8 times earnings and 4.8 times cash flows. Overall, it looks like a great value.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is a stock I traded twice this year, both times exiting at approximately a 10% profit. I still consider the stock a good value, but I didn't hold it very long because I wanted to use the money to invest in other things.

Suncor Energy had a great showing in its most recent quarter. In it, the company grew its sales by 55%, earnings by 259% and earnings per share by 281%. That's phenomenal growth. Yet like the other oil stocks on this list, Suncor is very cheap, trading at just 10 times earnings and 4.8 times cash flows.

Suncor stock is not without its risks. It has had a number of notable workplace safety incidents this year, and U.S. investors are pressuring it to sell its gas station business. Perhaps it will be a little more volatile than the average oil stock, but it's definitely a good value.

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2. NYSE:OXY (Occidental Petroleum Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:SU (Suncor Energy Inc.)

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