



1 Energy Stock I Bought This Year — and 1 I Sold

Description

Energy stocks have been among the best-performing equities of 2022. For the year, the S&P/TSX Energy sub-index (i.e., the energy stocks on the TSX) has risen 40% compared to negative returns for other sectors. It has been a dramatic period of outperformance.

Since hitting a peak in June, [oil stocks](#) have fallen. For example, the TSX energy index I just mentioned, which has outperformed for the whole year, has fallen since its summer high of 237.98. For the most part, I had sold all my energy stocks by the time peak prices hit in June. However, there is one oil stock I continue to hold a small amount of to this day.

In this article, I will explore one oil stock I bought and held this year as well as one I sold.

The one I bought and held

The oil stock I bought and held this year is **Occidental Petroleum** ([NYSE:OXY](#)). This is a U.S. energy stock that I bought at US\$58 after hearing that [Warren Buffett](#) had been buying it all year long. I bought a very tiny position in it at that price (only a few hundred dollars' worth).

OXY stock has a lot of things going for it.

For one thing, it's very cheap. Trading at just 6.5 times earnings and four times cash flows, you pay very little for what you get when you buy OXY.

Second, there's a good chance that oil prices will stay relatively high for the remainder of the year. OPEC (the Organization of the Petroleum Exporting Countries), which is the cartel that controls the lion's share of the world's oil supply, just recently had a meeting where they discussed cutting oil output by two million barrels per day. If they do that, then oil prices will likely rise.

Third, Occidental Petroleum has a good business model for today's oil market. Oil companies generally make more money when oil prices rise, but that's less the case if they operate as refineries. Refineries have to pay more money for raw crude when oil prices go up, and they sell it at smaller margins. OXY

does not have a refining business, so it's well positioned for rising oil prices.

The one I sold

One oil stock I bought *and* sold this year is **Suncor Energy** ([TSX:SU](#)). I bought this stock in January and sold it a few weeks later at a 10% gain. I did the same thing in May. On two occasions, I sold it when I thought that oil prices were getting "too high" (they were around \$120 when I sold). Both times, I got out of SU near its highs for the month, so I consider the trades successful.

I'm not normally a short-term investor, but I do sometimes sell when I think a stock or commodity price rose too much too fast: that happened with Suncor. My sales earlier in the year do not reflect my long-term opinion on Suncor. I think it is a fairly good buy today, as oil prices are rising, and Suncor trades at just 6.4 times earnings. It's a little more expensive than OXY, though, so it is not my personal preference at this time.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:OXY (Occidental Petroleum Corporation)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:SU (Suncor Energy Inc.)

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Date

2025/07/21

Date Created

2022/10/05

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