



3 No-Brainer Oil Stocks to Buy in October

Description

After a steep decline last month, oil companies are witnessing strong buying. The announcement by OPEC+ (Organization of the Petroleum Exporting Countries) countries to cut oil production by 2 million barrels per day from November has raised oil prices higher. The stock prices of oil-producing companies have followed. So, given the favourable environment, here are three top TSX [oil stocks](#) you can buy right now.

Suncor Energy

After losing around 7% last month, **Suncor Energy** ([TSX:SU](#)) has begun this month on a spectacular note. The stock rose 15.9%, as WTI (West Texas Intermediate) crude rose to trade around US\$88/barrel. Despite the recent surge, the company is trading around 16% lower than its 52-week high, while its NTM (next 12 months) price-to-earnings stands at an attractive 4.9.

So far this year, Suncor Energy has delivered solid performance, with its adjusted operating earnings increasing by 347% to \$6.6 billion. Higher commodity prices, increased production, and greater refinery utilization drove its earnings. Also, the company generated \$7.3 billion in operating cash flows compared to \$4.4 billion in the previous years. Amid solid financials, the energy major has repurchased 88.5 million shares lowering its share count by 6.1%.

Meanwhile, I expect the production cuts announced by the OPEC+ countries to support oil prices in the coming quarters. Higher oil prices will benefit Suncor Energy. Besides, its increased production, higher refinery utilization, and cost-reduction initiatives could drive the company's growth. Additionally, it rewards its shareholders with a quarterly dividend. The yield is currently at 4.17%. So, considering all these factors, I am bullish on Suncor Energy.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)), which has also posted solid financials this year, would be my second pick. Adjusted net income from operations grew 166% to \$7.2 billion in the

first six months of this year while generating adjusted fund flows of \$10.4 billion. The company's strong execution resulted in the drilling of 22 wells this year. All wells were ahead of schedule, lowering the drilling costs on a per-well basis. Along with its solid execution, higher commodity prices contributed to the company's growth.

Meanwhile, CNR's management expects to keep its well-drilling momentum going in the second half as well. The company has raised its capital investment allocation by \$200 million to \$4.9 billion. Besides, the turnaround activities at its liquid production mines are complete and operating at full capacity. Supported by these growth initiatives, the company's management expects to increase its average 2023 production by 40,000 barrels of oil equivalent per day. So, CNR's outlook looks healthy. Besides, the company has raised its [dividends](#) uninterruptedly for 22 years. It currently pays a quarterly dividend of \$0.75/share, with its yield at 4%.

Baytex Energy

Baytex Energy ([TSX:BTE](#)) is another excellent stock to have in your portfolio amid rising oil prices. The liquid-weighted energy company owns and operates attractive production assets across Canada and the United States. Amid increased production and higher realized commodity prices, the company generated free cash flows of \$366.6 million in the first six months of this year, double that in the previous year. Amid robust cash flows, the company lowered its net debt by 20% while repurchasing 21.6 million shares until September.

Meanwhile, Baytex Energy has continued its growth initiatives and expects to drill 14 wells at its clearwater site in the second half of this year. Amid these growth initiatives, the company's management expects to increase its production to 87,000 – 88,000 barrels of oil equivalent per day by this year's end. So, increased output from its low-cost assets and a higher realization price could expand the company's margins and earnings in the coming quarters. Given its healthy growth prospects and an attractive NTM (next 12 months) [price-to-earnings multiple](#) of 5.7, I believe Baytex Energy would be an excellent addition to your portfolio.

CATEGORY

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2. Investing

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1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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