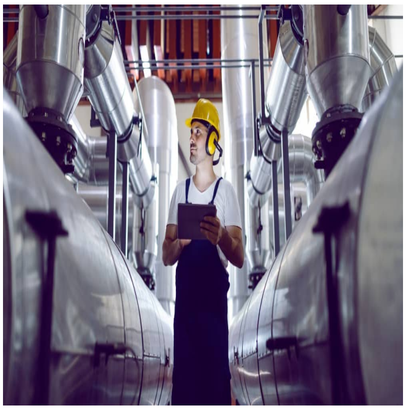

CNQ Stock Fell by 1.7% in November: Is it a Buy Now?

Description

Canadian oil stocks are on a roller-coaster ride in 2022. The surge in **Canadian Natural Resources** (TSX:CNQ) through October caught many investors by surprise, and recent weakness after a steady November has energy investors wondering if the latest dip is another good opportunity to buy CNQ stock.

Canadian Natural Resources overview

CNRL is Canada's largest energy company with a current market capitalization near $84 billion. The asset portfolio includes both liquids and natural gas production and resources. CNRL operates oil sands, conventional heavy and light oil, offshore oil, natural gas liquids, and natural gas production sites.

Earnings

The rebound in oil and natural gas prices after the pandemic crash continues to drive strong profits for CNRL. Adjusted net earnings for the first nine months of 2022 came in at $10.67 billion compared to $4.79 billion in the same period last year.

Dividends

Management is using excess cash flow to reduce debt, buy back shares, and boost dividends.

The board just raised the quarterly dividend by 13% to $0.85 per share. This is on top of a 28% increase earlier in 2022 and a 25% boost late last year. In addition, investors received a bonus dividend of $1.50 per share in August.

CNRL has raised the dividend for 23 consecutive years. This is a solid track record in an industry where volatile commodity prices determine profitability. At the time of writing, the current dividend provides an annualized yield of 4.5%.

As net debt continues to drop, investors could see more bonus payouts emerge.

Oil market

West Texas Intermediate (WTI) oil is on a downward trend in recent days, wiping out the 2022 gains. The current price is US$74 per barrel compared to the 2022 high above US$120.

Oil bulls say a shortage of supply and ongoing demand growth will likely drive the price of oil back above US$100 per barrel in 2023. A reopening of the Chinese economy is expected to occur as the government eases COVID-19 restrictions. At the same time, global producers are unable or unwilling to boost production. A lack of investment in the past two years means many producers are already at their limits. Stringent net-zero emission targets are holding back investments in large new projects. This situation is unlikely to change over the medium term.

Oil bears say a global recession in 2023 or 2024 will drive down fuel demand and keep the price of oil under pressure.

Should you buy CNQ stock now?

CNRL currently trades near $74 per share compared to the June high of $88, but it is still much higher than the July and September lows around $61. Ongoing volatility should be expected as a wide range of factors come into play in the oil market. Changes in the war in Ukraine, the global economy, China's COVID restrictions, and OPEC decisions can all move the market quickly.

Investors with a bullish view on oil demand, however, might want to start nibbling near the current share price and look to add to the position on additional weakness. You get paid a decent dividend yield to ride out the volatility, and there is attractive upside potential if WTI oil moves back above US$100 next year.

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