Price pre-Covid 19 (Feb 17):   
Current Price (Apr 7):   
Change:   
Beta:  
Dividend yield:   
Dividend date:



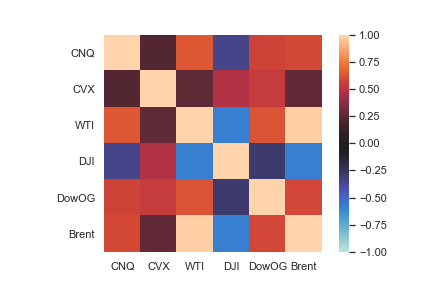
$39.81  
$18.67  
-53%  
2.15  
9.57%  
April 1st

**Canadian Natural Resources Limited  
CNQ**

**April 7th, 2020**

**Recommendation: Hold \*\*Pending potential bailout\*\***

My recommendation is to hold till at least more information about if/when a bailout is coming for the oil and gas industry. CNQ is a strong dividend company and currently is well undervalued. The amount of the bailout, if any, will help determine a timeline to when CNQ will re-adjust to its estimated value. The most recent dividend has been paid out so a re-evaluation should be made before the next dividend date. As of writing this, OPEC has also announced a cut in product of Oil. In theory this should increase the value of Alberta oil and thus increase CNQ’s value.



Unlimited quantitative easing  
The Liberal Government is endless dumping funds into the economy claiming that stimulus is effective in maintaining a strong economy (even though it is been frail and feeble prior to this pandemic).

Following 2008-09 Financial crises the Harper government also implemented similar stimulus. According to a Maclean’s article in 2009 “Stephen Harper’s 2009 response to recession—a quick, politically expedient and costly injection of stimulus. The Liberals contend that their version will be the start of a far more momentous project: a long-term retooling of the Canadian economy for sustained growth that will deliver rising middle-class incomes.”1. These long-term results have yet to be seen. Canada is still trying to recover from the loss on legalizing Marijuana and not allowing privatization.

In 2009, the budget proposed a stimulus for around 2.5% of GDP spread between 2 years (2008:1.5, 2009:1.0)2 as with most forecasts/budgets the numbers were not exact and in fact resulted in closer to 3% of GDP 3. This time around… going off last year’s GDP of 1640 billion4 and Trudeau’s announcement of $82 billion stimulus package (so far) this will be much higher and may end up putting too much money into the economy.

High unemployment  
We are on the verge of record unemployment with over 1 million jobs so far and more will be lost as constraints around isolation tighten. Under Canada’s new CERB program employment may not improve. The CERB program allows for applicants to postpone their EI for 4 months while they receive the CERB relief ($2000/month) meaning once the CERB runs out they can simply continue receiving EI. This may result in many people choosing to not work. The realization of how much work can be accomplished working from home could be a blessing or a curse for some companies and could result in changes in infrastructure and employees.

The stigma towards oil and the way that the world is moving towards cleaner energy alternatives means that the oil and gas companies may have to pay large wages to compensate. CNQ only has a small workforce in comparison to other major oil and gas companies and any lost employee will be costly.

Consumer demand outlook  
Many consumers are being encouraged to spend as much local as they can. Canadian oil is cheap though not making any profit for the oil and gas companies. Unless the market increases to a price that Canadian oil and Gas can make a profit (around $40 USD/barrel). Consumer demand for oil is difficult to predict because many consumers only look for the cheapest price of gasoline when purchasing; they pay little to no attention to where the oil is sourced provided that the price is low enough.

Covid-19 Pandemic  
This is crushing oil and gas as no one is traveling. No flights, or automobiles that require oil and gasoline. Few products are also in production and some plants have ceased production entirely. Single use plastics, which also use oil, would also see a reduction in production.   
Following the pandemic, we may see a sudden burst of people wanting to travel and get out requiring a lot of oil fast. CNQ has ample stores of oil and will be able to provide oil as long as the price is better than the current Canadian oil price but that will be dependent on when the RUS/SAU price war is finished…

Low oil prices  
OPEC is in a tug and war between Russian and Saudi Arabia and have only teased about meeting and coming to a deal. Saudi oil has a much higher margin on their product meaning they can sell well below US and CA oil and still maintain a profit.

Though few details have been announced, a direct bailout of the Oil and gas industry is unlikely. The attached correlation heatmap shows the correlation of 10-year price data of CNQ, CVX, Brent, Dow Jones Index, Dow Jones Oil, and WTI (Western Canada Select, WCS, data was unavailable). The aim of this matrix was to determine how correlated the price movement of CNQ was to competitors (Chevron:CVX), indices (Dow Jones) and to WTI Oil prices . Initially I had a theory that it may be best to invest in US oil as it may move differently than Canadian oil and would be beneficial to hedge. Pricing out any US investment right now is a significant risk because the exchange rate is so poor.