$150-per-Barrel Oil Is Coming: Buy These 3 Producers Now

Description

Low oil prices may be the big news right now, but they won't be for long. That's according to one of the world's most successful oil traders, Andrew John Hall, who says they won't last as the U.S. shale boom that has depressed prices will turn out to be a dud and forecasts a correction in the next five years.

Hall's reason for the correction is that he thinks that the shale oil boom will end up a disappointment for a few reasons. He sees political, environmental, and regulatory burdens holding back the shale boom's continued advancement, while he thinks that the best has already come for the oil boom as shale producers have already drilled the top-quality assets and output is about to moderate.

Of course, Hall's theories are controversial with oil analysts who forecast shale oil output to continue to contribute downside pressure on the oil market. A few analysts have said that oil is about to touch $75 per barrel in the coming months and while Hall does not discount the potential for oil to fall that far, if it does he says the low prices will not last long — at that price point, he thinks many shale producers will lose money and be forced to shutter operations. This will impact supplies and prices will correct.

While Hall's theory might seem unlikely right now with shale output putting enough downside pressure on oil prices to prevent supply-side shocks from tensions in the Middle East, his aggressive bets have made billions of dollars for the companies he works for. He also correctly predicted the last boom and bust in oil.

Given current prices, $150 barrel oil may seem like a lofty projection, but the Energy Information Administration's chief backed up this price point in a recent analysis. According to Adam Sieminski, if it were not for rising U.S. production right now, the current supply disruptions thanks to Middle East tensions means that oil would currently be selling for $150 per barrel or more.

High oil prices a major threat to investors and the economy

Low oil prices have been a negative for those invested in oil producers, but overall, low oil prices are good for the economy. Basically, everything we consume is transported at some point and that transport requires energy. When oil prices rise, the cost to produce/transport goods goes up, impacting the operating costs of virtually every sector of the economy. These higher costs are almost always translated into lower profit margins, which in turn can impact share value.

The best way to combat this is to invest in oil producers that will benefit from rising energy costs. Right now, there is a potential to purchase some high-quality oil producers. Three examples of companies that would benefit from a spike in oil prices include **Canadian Natural Resources Limited** (TSX: CNQ)(NYSE: CNQ), **Cenovus Energy Inc.** (TSX: CVE), and **Imperial Oil Limited** (TSX: IMO)(NYSEMKT: IMO).

CATEGORY

1. Energy Stocks
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