



How Low Could Oil Go in 2015?

Description

Recent forecasts of oil hitting \$60 per barrel in 2015 were originally considered a worst-case scenario for oil producers. Now, it looks like WTI could take out the \$60 mark before the end of December.

With the global market fully realizing that an old-fashioned stand off is upon us, bets are being placed in the options markets on all kinds of previously unimaginable bottoming points for the price of crude – and there's good reason.

During the financial crisis, WTI spot prices bottomed out at \$30 and Brent fell as low as \$36. In 1998, oil hit \$10 amid the financial meltdown in Asia and booming production in Iraq.

Back in 1986, oil also dropped to \$10 per barrel when Saudi Arabia refused to cut output in an effort to maintain market share during a previous global oil glut.

It's impossible to know right now where crude will finally level off, but investors should be looking at options to help their portfolios benefit from low oil prices next year.

The obvious choices would be the airlines. **Air Canada** (TSX: AC.B) is already up 65% since the middle of October and the stock could continue to soar right into 2015 if oil prices maintain their downward trend. **WestJet Airlines Ltd.** (TSX: WJA) is up a healthy 18% over the same time period.

The airlines have battled hard to get passengers to cough up cash for fuel surcharges and extra bags. It's unlikely they will be cutting those fees anytime soon and margins are going to continue to rocket higher as fuel costs plummet.

An indirect beneficiary could be **Magna International Inc.** (TSX: MG)(NYSE: MGA). The company's stock is already up a staggering 370% in the past five years due to the revival of the American auto industry. With gas prices coming down, more people might be tempted to buy bigger cars or trucks and Magna supplies a lot of the parts that go into those vehicles.

Speaking of gas savings, people are going to find they have some extra room in the budget for a dinner out or a night at the movies. **Cineplex Inc.** (TSX: CGX) has done well despite the lack of

blockbusters in 2014, but 2015 could be a great year if moviegoers decided to super-size the popcorn and soda.

Falling oil prices could also lead to global instability. Many of the oil-producing countries in the Arabian Peninsula require high oil prices to maintain generous social programs designed to keep unemployed citizens from getting unruly. Russia, Venezuela, Nigeria, Iran, and Mexico also rely heavily on oil revenues. Some are better prepared to withstand lower prices than others, but all will have to make tough decisions on spending.

Political unrest is one thing, but low oil prices could eventually set off a new financial crisis triggered by a round of debt defaults. If that's the case, gold could regain its shine in 2015 as investors search for a safe place to park their cash.

Now is the time to decide where to invest new money for 2015. If you are looking to add one or two top picks to your portfolio, the following free report is worth reading.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:MG (Magna International Inc.)

Category

1. Investing

Date

2025/08/27

Date Created

2014/12/01

Author

aswalker

default watermark