

## Betting on Energy: One Portfolio Manager's "Trade of the Year"

### Description

With energy prices so low (not to mention the stock prices of energy producers), investors are wondering if there's an opportunity to profit from a rebound. Obviously this is a risky bet to make, but one man in particular is worth listening to.

While speaking on the Business News Network, Bruce Campbell of *Campbell, Lee & Ross* outlined his "trade of the year", which involves betting on energy. Below, we take a look at what he had to say.

### Don't jump in too soon

Let's be clear: Mr. Campbell thinks there will be an opportunity. Just not yet. In the meantime, you should wait for market fundamentals to improve. More specifically, until you see oil prices of roughly US\$55, it's probably too early to get back in. This probably means you should wait until the back half of 2015, at the earliest.

Until then, things could get very messy. Supply has remained well ahead of demand, and as a result, inventories have been growing. Companies are cutting back, and rig counts are down, but this takes a while to show up in supply numbers. Because of this, some experts have predicted that prices could fall as low as US\$30 per barrel, at least in the short term. If this happens, you don't want to be caught in the middle.

### If you jump in now, look for a strong balance sheet

During his interview, Mr. Campbell said that if you want to bet on energy now, make sure you find one with a strong balance sheet. This may be the most important piece of advice he gave.

After all, the oil market is clearly a war of attrition. Producers don't want to cut output just to see competitors benefit from higher prices. And this leads to a very difficult truth: before supply numbers actually come down, you're going to see some bankruptcies. The companies with the weakest balance sheets are the most vulnerable.

### So what should you buy?

Mr. Campbell did not recommend any stocks in particular during his interview. But we can still apply his advice.

If you're looking for an energy company to invest in now, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is a compelling option. The company not only has a very strong balance sheet, it also has a strong hedging program in place. Better yet, the company has an extremely competitive cost structure. So even if the downturn lasts longer than expected, Crescent Point should have no trouble pulling through. And the company's shares have been beaten up, down more than 30% since late June.

But you should be very careful. This market could easily get a lot worse, and if it does, investors could

get burned. If you're looking for a turnaround story, the free report below features a much better option.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

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## Author

bensinclair

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