



## Does Kevin O'Leary Think You Should Buy Oil Stocks?

### Description

These days, everyone has an opinion about Canada's energy patch. That said, Kevin O'Leary is worth paying extra attention to. The chairman of O'Leary Financial Group, better known for his role on ABC's *Shark Tank*, sat down for an interview with *The Business News Network* Thursday to discuss the energy sector.

So, what exactly did he have to say? We take a look.

### The new issues

Because of the terrible oil-price environment, we're seeing quite a few companies sell more stock to shore up their balance sheet. Mr. O'Leary was asked specifically about these companies.

One of them is **EnCana Corporation** (TSX:ECA)(NYSE:ECA), which is raising \$1.25 billion in new equity. The company made \$9 billion in acquisitions last year, including a gigantic \$7.1 billion takeover of Athlon Energy. While these moves helped EnCana transition from natural gas production towards oil, they also put a dent in its balance sheet. Those moves now appear to have been a mistake.

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) is also going to the equity markets, seeking \$1.5 billion. Cenovus does not need the money as much as EnCana, but has ambitious capital spending plans, and doesn't want to be backed into a corner.

So, what does Mr. O'Leary think of these new equity offerings? Well, he wouldn't buy them, nor any other oil company for that matter.

### "The trend is not your friend"

He didn't have anything negative to say about these companies themselves. However, he is not optimistic about the oil price, and thinks it will likely fall into the low US\$40s, or even below US\$40.

The main reason for his pessimism is storage—specifically, a lack of storage. Recent reports have suggested the United States is running out of storage capacity for oil. Mr. O'Leary estimates that

storage will run out in 22 weeks (around early August). I discussed what that would mean for the oil price [here](#), and it's not good.

### Better options out there

If you buy oil stocks at this point, there's a significant risk of losing money. Or, as Mr. O'Leary put it, "You're down 11-20% over the summer. Why would you do that to yourself?"

I don't always agree with Mr. O'Leary, but in this case, his arguments make a lot of sense. I know the energy sector looks cheap, and we all want to time the bottom, but there's still far too much downside. I would look elsewhere.

### CATEGORY

1. Energy Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

### Category

1. Energy Stocks
2. Investing

### Tags

1. Editor's Choice

### Date

2025/07/22

### Date Created

2015/03/06

### Author

bensinclair

default watermark