



## Westport Innovations Inc. Jumps a Crazy 30% in 3 Days: What's Brewing?

### Description

Volatility isn't anything new for **Westport Innovations Inc.** (TSX:WPT)([NASDAQ:WPRT](#)) investors, but this week started off in an unexpected way. The stock has jumped a whopping 30% in three days, as of this writing! While day-to-day meanderings in stock prices shouldn't be an investor's concern, it's hard to ignore Westport's big move given the way the stock was hitting new lows in recent months.

So, does this signal a turnaround in Westport Innovations? That can be confirmed only when we know why the stock is rising. Three key factors have a role to play here.

### Spike in oil prices

Crude oil prices soared this week to hit multi-week highs, backed by reports of tighter supplies and OPEC's projections of a rebound in oil prices, and fueled by rumours of probable talks between major oil producers to support oil prices.

The market perceives any rebound in oil prices as a growth catalyst for Westport, simply because higher oil price means a greater spread between diesel and gasoline, and natural gas—a key factor influencing the adoption of natural gas as an alternative fuel.

### A new, cleaner engine

Whatever little income Westport earns right now comes from its joint ventures with leading engine manufacturer, **Cummins**. That explains why the market has jumped at any news from Cummins-Westport; it could signal a potential source of revenue.

On Tuesday, Cummins-Westport announced that its new ISL G Near Zero (NZ) NOx natural gas engine had received emissions clearances from the U.S. Environmental Protection Agency (EPA) as well as the Air Resources Board (ARB) in California. The engine's exhaust emissions will not only be 90% lower than the EPA's current NOx limits, but it also meets the 2017 EPA greenhouse gas emission standards.

More importantly, the ISL G NZ could give Westport huge headway in the medium-duty truck and

school bus segments, as well as off-road markets like refuse. Production of the engine is expected to begin mid-2016.

### Falling short interest

The latest short-interest figures for Westport Innovations reveal an 8.6% drop, indicating that an increasing number of people believe the stock is going up from here. That isn't surprising, given that Westport is currently trading at half its year-ago prices, and less than 10% of the highs it hit in 2012.

In short, there's hardly any downside left in the stock.

### Should you buy Westport now?

So, does that mean the worst is over for Westport? Not quite. While the ISL G NZ engine is a big deal, it doesn't help address the concerns that Westport faces right now.

The pace of adoption of natural gas is painfully slow, and this week's jump in oil prices doesn't guarantee an uptick. Conditions in key markets, China and Europe, remain challenging. Meanwhile, Westport is dealing with rapid cash burn issues, and its plans to acquire loss-making **Fuel Systems Solutions Inc.** could only [delay its turn around](#).

Long story short, one positive bit of product news doesn't change Westport's story, and this week's rally could be short lived. The verdict: there are better stocks to consider right now.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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