



## 3 Reasons Westport Innovations Inc. Stock Jumped 30% in 2 Days

### Description

It looks like **Westport Innovations Inc.** (TSX:WPT)([NASDAQ:WPRT](#)) stock is beating its own record. While investors in the natural gas-engine-technology expert are accustomed to volatility, they don't always get to enjoy 30% gains in two trading days. That's how rapidly the stock has risen over the past two days, and it continues to inch higher even as I write this.

If you're wondering what's behind the rally in the absence of company-specific news, here are three things you need to know.

### Oil prices

Plunging oil prices was one of the major factors why Westport tumbled in recent months. The logic is that fleet operators would consider adopting natural gas-powered vehicles only if the per-gallon cost for the alternative fuel is lower than the cost of diesel and gasoline. Lower oil prices reduce the spread between the two fuels, rendering natural gas unattractive.

Not surprisingly, any upward movement in oil triggered frenzied buying activity in Westport. Brent crude has found support in production cuts and optimistic U.S. jobs data this week and is up nearly 5% as a result. With analysts even calling it a bottom for oil, it isn't surprising to see a short squeeze in Westport right now.

### Natural gas prices

It's one of those weeks that aligns perfectly with Westport's growth prospects. On the one hand, oil prices are rising. On the other, natural gas is getting crushed.

Prices of natural gas are touching near two-decade lows even as I write this. April natural gas futures settled at US\$1.64 per MMBTUs on March 3, its lowest level since 1999. A supply glut which occurred thanks to a warm winter, coupled with muted demand, is driving natural gas lower. Some analysts expect prices to remain under pressure for the better part of the year.

That works for Westport as a wider spread between oil and natural gas brightens its business

prospects.

## Infrastructure support

Fleet operators will not switch to natural gas if they can't access refueling stations with ease. In other words, a strong natural gas infrastructure is as important for Westport's business as low natural gas prices. Fortunately for investors, **Clean Energy Fuels Corp.** ([NASDAQ:CLNE](#)), the leader in building natural gas stations, had positive news this week.

In its just-released earnings report, Clean Energy emphasized how its key customers like **UPS** "continue to invest in their natural gas fleet operation" despite low oil prices. Clean Energy expects to build more stations this year after completing 67 station projects (including upgrades and new projects) in 2015. The company's pipeline for refuse-station construction projects is at its highest right now, underpinning its optimism about the prospects of natural gas going forward, which bodes well for Westport.

## Time to buy?

Daily movements in crude oil and natural gas mean little in the long run, and traders could dump Westport shares just as quickly if trends reverse. While Clean Energy's optimism is good news, investors shouldn't be swayed because there's no material change in Westport's business. Until the company finds its path to profitability, the risks are too high.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NASDAQ:CLNE (Clean Energy Fuels Corp.)
2. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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