



## Baytex Energy Corp.: Has This Stock Bottomed?

### Description

**Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) is up more than 15% after an extended slide took the stock down to 12-month lows.

Let's take a look at the current situation to see if this is the right time to add Baytex to your portfolio.

### Volatile oil prices

Oil fell from US\$100 per barrel in the summer of 2014 to below US\$30 early last year. Crude prices then recovered on the hopes that OPEC would decide to reduce global supplies and bring the market back into balance.

Members of the cartel, in addition to a few other key producing nations, finally agreed on a deal in late November. As a result, WTI oil continued its recovery, topping US\$56 per barrel in late December.

OPEC and its partners in the pact, including Russia, began reducing output in January with the target of trimming supplies by roughly 1.8 million barrels per day (bpd) through June.

Oil remained above \$50 through the first two months of this year, but it's begun to slide in recent weeks.

Why?

Russia initially triggered the sell-off when it reported flat month-over-month production for February. The country has committed to lower output by 300,000 bpd, and while production fell 100,000 bpd in January, the expected additional cuts didn't occur last month.

This has investors wondering if Russia is planning to back out of the deal with OPEC.

OPEC has pretty much met its obligations to date under the pact, but some market observers believe Saudi Arabia is carrying the load for other OPEC members who are not meeting their commitments.

### What sparked the rally?

Oil recovered some lost ground in recent days as reports of tighter supplies and an OPEC plan to extend the agreement beyond June scared some short sellers out of the market.

This lit a fire under beaten-up producers, such as Baytex, that had drifted significantly lower over the past three months. Baytex was above \$7 per share in December and almost hit the \$4 mark earlier this week.

At the time of writing, the stock is at \$4.70 per share.

### **Should you buy Baytex?**

Owning any of the oil producers right now requires a belief that crude prices are headed higher in the near term. If you are in that camp, Baytex is worth considering today.

The company has done a good job of reducing costs, owns great assets, is living within its cash flow, and doesn't have any major debt coming due in the short term.

At this point, however, investors should be careful.

Rising U.S. production is a headwind to higher oil prices, and any indication the OPEC agreement is falling apart could send crude prices back below US\$45 per barrel or even lower.

In that scenario, Baytex and other highly leveraged producers would likely come under further pressure.

I would at least wait to see how the March production numbers come out for Russia and OPEC before buying the stock.

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1. Energy Stocks
2. Investing

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**Author**  
aswalker

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