



Now Might Be the Time to Bet on Canadian Oil Stocks

Description

Oil prices bounced back to five-week highs on September 12 after hurricanes Harvey and Irma put a stop to a rally that began in late June. Harvey, which made landing on the Gulf Coast, exacted huge devastation, especially in the form of flooding in the aftermath in southeast Texas.

Many oil refineries were in the path of the storm, causing close to a quarter of refinery capacity in the area to be halted. The rise in prices now comes with the expectation that refineries will gradually re-open and demand will be depressed in the aftermath of the two hurricanes.

A report from the International Energy Agency (IEA) showed that global oil supply fell by 720,000 barrels per day in August — the first decline experienced in four months. The IEA also revised oil demand upwards, including second-quarter growth that was the fastest seen in two years. Demand in OECD countries was stronger than expected. Product output in gasoline and diesel has reached average levels, but oil production remains higher than the target OPEC has set in OECD countries.

Canadian oil production is expected to reach almost five million barrels per day by 2018. Production in the U.S. is also expected to ramp up, hurting OPEC's ambitions even as the organization works to reduce its output.

Shares of the Calgary-based crude producer **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) were up 0.76% at close on September 13 and have increased 4% since close on August 31. Second-quarter results released on July 26 showed oil sands production almost doubling up to 413,600 bpd compared to 213,100 in Q2 2016. The company reported a profit of \$435 million compared to a loss of \$735 million in the second quarter of the previous year.

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) stock increased 4.08% on September 13. The share price has seen 12% growth since close on August 31. The company released its second-quarter results on July 27. Its purchase of **ConocoPhillips** Canadian oil sands' assets helped production increase by 65%. Revenue was reported at \$4.04 billion compared to \$2.75 billion in Q2 2016. Profits surged to \$2.64 billion in comparison to a \$267 million loss reported in the second quarter the previous year. Shares are still down 9.1% in 2017.

Imperial Oil Ltd. ([TSX:IMO](#))(NYSE:IMO) stock was up marginally — 0.16% — on September 13. The share price is up 2.5% from the August 31 close. The company announced its second-quarter results on July 28. Imperial Oil has faced production issues at its Kearl location, and it is now advancing a comprehensive plan to resolve them. The plan will run through 2018 and is aimed to markedly increase production levels. It still reported a smaller net loss of \$77 million compared to a \$181 million loss in Q2 2016.

Experts have estimated that oil prices will remain in the \$45-55 range for the remainder of 2017. This latest report from the IEA suggests that a more bullish pattern could form that could push Canadian oil stocks higher after a tumultuous 2017.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
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