



## Is Crescent Point Energy Corp. an Attractive Contrarian Pick?

### Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) continues to trade near multi-year lows.

Let's take a look at the current situation to see if the beaten-up oil producer deserves to be in your portfolio.

### Oil market

The price of WTI oil is back above US\$52 per barrel, and investors are trying to figure out if the four-month rally off the June lows is sustainable.

OPEC and a handful of non-member countries, including Russia, are trying to reduce global supply by 1.8 million barrels per day. When the deal was announced last fall, traders quickly drove oil prices higher, but the enthusiasm waned through the first half of 2017 amid reports of non-compliance by some OPEC members.

The group extended the deal through the first quarter of 2018.

OPEC says it remains committed to reducing oil stocks to their five-year average, and is considering another extension to the agreement. Market watchers are concerned that member countries could open the taps again once the current deal expires.

### What about Iraq?

Instability in Iraq is currently providing additional support to the oil market. The country's Kurdish region held an independence vote last month, and Iraqi forces have since moved into the area, which is a major oil zone.

Reports of fighting have traders wondering if exports from the region might be at risk.

Iraq is OPEC's second-largest producer.

## U.S. production

Headwinds to higher prices are coming from the United States, where production is approaching record levels. In fact, the U.S. Energy Information Administration expects U.S. crude output to average 9.84 million barrels per day (b/d) in 2018, which would top the 9.6 million b/d record set in 1970.

## Should you buy Crescent Point?

You have to be an oil bull to own any of the producers. If you fall in that camp, Crescent Point deserves a closer look.

The company's balance sheet remains in decent shape, and management is actually targeting a 10% increase in per share exit production for this year compared to 2016.

Crescent Point owns an attractive resource base and has a strong track record of making strategic acquisitions.

The company had to cut its monthly dividend from \$0.23 per share to the current distribution of \$0.03, and additional weakness in the oil market could put the remaining payout at risk.

However, a continued improvement in oil prices would probably mean the dividend would survive. At the time of writing, investors can pick up a 3.9% yield.

I wouldn't back up the truck, but a small contrarian position might be worth a shot if you think oil is headed higher through 2018.

## CATEGORY

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## Date

2025/08/18

**Date Created**

2017/10/30

**Author**

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