



## WTI Oil Hits US\$56: Should You Buy Baytex Energy Corp. or Suncor Energy Inc.?

### Description

Oil prices just hit levels not seen since the summer of 2015, and the rally appears to be picking up steam.

Let's take a look at **Baytex Energy Corp.** ([TSX:BTE](#))([NYSE:BTE](#)) and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) to see if one deserves to be in your portfolio.

#### Baytex

Baytex is up more than 30% over the past two weeks, as investors move back into [oil producers](#), hoping to benefit from the recent uptick in oil prices.

The sharp move in such a short period of time shows how much upside torque this stock might have if oil continues to rally.

What's the attraction?

Baytex is carrying significant debt, but the company also owns an impressive portfolio of properties. In fact, Baytex has estimated its net asset value to be at least \$9 per share based on oil prices that are below current levels.

If that's correct, more gains could be on the way.

Rising prices should enable Baytex to boost production and pay down the debt load to improve the balance sheet. As the risk drops, investors should feel more comfortable with the company's prospects and drive the share price higher.

Baytex was a \$48 stock in the summer of 2014, so long-term shareholders hope the oil rally has legs. At the time of writing, investors can buy the stock for \$3.90 per share.

#### Suncor

Suncor has weathered the oil rout better than most of its peers, and the stock actually trades pretty

close to where it did when oil was US\$100 per barrel.

The stability comes from the company's integrated business structure.

Suncor is primarily known as an oil sands producer, but the energy giant also owns refineries and more than 1,500 Petro-Canada retail locations. These downstream assets provide a revenue hedge when margins get squeezed in the production operations.

Suncor has taken advantage of the downturn to add new assets at attractive prices. The company is also boosting production through its portfolio of organic projects. Two of the developments, Fort Hills and Hebron, are scheduled to begin commercial production by the end of this year.

Suncor continues to raise its dividend, which currently provides a 2.9% yield.

### **Is one a better bet?**

Both stocks should do well if oil continues to move higher.

Baytex probably offers more upside potential, but the stock also carries greater downside risk if the oil rally runs out of steam and WTI slips back below US\$50 per barrel.

If you have a [contrarian investing style](#) and can handle some volatility, Baytex might be the way to go today.

Otherwise, I would take the safe route and consider Suncor for your portfolio.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:SU (Suncor Energy Inc.)

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