



Will Oil Stocks Continue to Rally?

Description

The WTI oil price popped above US\$57 per barrel, which is near its one-year high. It seems that, all of a sudden, all risk is off and energy stocks are going higher, especially oil-weighted companies and riskier names, including mid-cap and even small-cap stocks.

Noticeably, energy stocks that have sold off severely over the last few years have seen impressive pops recently. **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is about 10% natural gas. Its stock has been on a multi-year decline since 2014. However, it went up nearly 11% in the last five trading days.

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) is about 21% natural gas. Its stock has pretty much been in a landslide since 2014. However, it has appreciated 27% in the last five trading days.

Crescent Point is the lower-risk name with lower debt levels. As well, the company offers a dividend. At the recent quotation of \$11.25 per share, Crescent Point offers a yield of 3.2%.



What about this mid-cap name?

Torc Oil and Gas Ltd. (TSX:TOG) is about 12% natural gas. It has a strong balance sheet. And it

offers a yield of nearly 3.3%.

Although the stock has appreciated about 13% in the last five trading days, according to the 12-month street consensus from **Thomson Reuters**, the stock still has +12% upside near-term potential based on the recent quotation of \$7.35 per share.

What about this small-cap name?

Spartan Energy Corp. (TSX:SPE) is about 8% natural gas. The stock is down 36% from 2014. Spartan doesn't pay a dividend, but it has low debt levels and focuses on generating cash flow.

Although the stock has appreciated nearly 13% in the last five trading days, according to the 12-month street consensus from Reuters, the stock still has +22% upside near-term potential based on the recent quotation of \$7.37 per share.

Investor takeaway

It's hard to say if the rally will continue, because it depends on what the WTI oil price will do next. If the oil price breaks sustainably above US\$57 per barrel (at least in the near term), the rally in these oily stocks should continue.

It'll take very brave souls to bet big on these names. However, betting small on risky names might just deliver above-average returns. Between Crescent Point and Baytex, Crescent Point is lower risk.

Torc is a well-run company, but it is close to its fair value. Spartan has more runway, but some investors might find it too risky as a small-cap name.

As a friendly reminder, investors should always stick with what they're comfortable investing in, no matter how enticing this oil rally may seem.

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1. Dividend Stocks
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1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:VRN (Veren Inc.)

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