



## Should You Bet on Oil Stocks Ahead of the Crucial OPEC Meeting?

### Description

The spot price of oil was down marginally during the November 28th trading day. It slipped below \$58, as the industry waits anxiously for the results of the next meeting of the Organization of Petroleum Exporting Countries (OPEC).

Saudi Arabia is lobbying for a nine-month extension to the production output cut of 1.8 million barrels per day that currently stretches into March 2018. However, this initiative is getting pushback from Russia. Russia is anxious that an extended production cut could overheat an oil market that has been in a rally since the summer.

Oil prices also saw downward pressure after a report from the American Petroleum Institute. The report showed that inventories rose by 1.8 million barrels in the week ending November 24 compared to estimates that projected a decline of 2.3 million barrels.

In a recent article, I'd [discussed the oil rally](#) and whether or not it could breach the spot \$60 level if OPEC does indeed extend its production cut. Analysts from **Goldman Sachs Group Inc.** have said that the outcome of the meeting is more uncertain than usual. A compromise would appear to signal a production cut into the middle of 2018 rather than through the entire year. This would set up a big meeting in June 2018.

In another article, I'd focused on **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) as a stock that could [continue to see big gains](#) along with the rise in oil prices. Shares of Suncor have climbed 21% since reaching a 2017 low in early July. In the third quarter, the company managed to achieve the lowest oil sands operating costs per barrel in over 10 years.

**Encana Corp.** ([TSX:ECA](#))([NYSE:ECA](#)), a Calgary-based oil and natural gas producer, has seen its stock rise by over 30% since the early July swoon in oil prices. Encana released its third-quarter results on November 8. The company posted net earnings of \$294 million and actually saw its October output beat its third-quarter production by 14% to 325,000 barrels of oil per day.

**TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), which fueled an uptick last week after an outage in the Keystone pipeline, has recommenced operations. The company has not, as of yet, received a go-

ahead on restarting full operations from U.S. regulators.

### **Predicting the results of the meeting**

The oil output from the Russian Far Eastern Sakhalin-1 project is estimated to rise by a quarter from this January. The increase in output complicates Russian compliance with a nine-month extension. Iraq has reaffirmed its support for a nine-month extension, while Kuwait has not yet made a commitment to a specific term.

**Citigroup Inc.** analysts have predicted that members will settle on a six-month production cut. The bank projects that an extension to the OPEC production cut has already been priced in for oil. Experts have estimated that there would be an over two million barrels per day increase year over year in 2018 if OPEC chooses to allow the output cut to expire in March.

With inventories unexpectedly climbing and the results of the meeting in doubt, some Canadian oil stocks could be vulnerable to dim news on November 30.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

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### **Date**

2025/08/21

**Date Created**

2017/11/29

**Author**

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