OPEC Extends Production Cut to End of 2018: Is it Time to Revisit Oil Stocks?

Description

In a recent article, I'd discussed the implications of the November 30th meeting between the Organization of Petroleum Exporting Countries (OPEC). Ostensibly, the meeting was held to determine whether or not the participating countries would agree to extend the agreed-upon oil production cut beyond the March 2018 deadline.

Ultimately, OPEC members elected to extend the production cut to the end of 2018 in spite of some anxiety that Russia would apply pressure to shorten the proposed term. North American producers celebrated the results of the meeting. Ryan Sitton, a commissioner on the Texas Railroad Commission, predicted that prices would stabilize around the $60 mark heading into 2018.

OPEC members expect monetary policy to remain loose in 2018, and an improving global economy is projected to improve demand. Purchasing manufacturing indices (PMIs) in China, the United States, and the Eurozone are showing impressive expansion, and the International Monetary Fund (IMF) raised its global growth forecast for 2018 to 3.7%.

Oil prices continue to threaten the $60 mark after a sustained rally dating back to June. In a November article, I'd covered the rise of oil and asked if it could surpass this key mark by 2018. Performance of Canadian energy stocks has been somewhat inconsistent in this period. Investor sentiment remains subdued with long-term projections from experts and analysts spelling trouble for the oil industry, as nations make a push to change to renewable energy.

On November 24, Statistics Canada released fiscal 2017 third-quarter financials for Canadian enterprises. The oil and gas extraction and support activities industry posted an operating loss of $450 million — down 21.3% from Q2 2017.

Are there any Canadian oil stock bargains out there?

Higher oil prices have limited the options for bargain hunters. The environment in 2018 is not likely to improve in this regard with prices expected to stabilize. However, there are still some stocks available that could benefit from a positive climate for oil prices next year.

Imperial Oil Ltd. (TSX:IMO)(NYSE:IMO) is a Calgary-based integrated oil company. Shares have fallen 15.1% in 2017 as of close on December 4, but the stock has increased 6.1% since September 4. Imperial Oil released its third-quarter results on October 27. The company reported petroleum product sales of 500,000 barrels per day and experienced an 18% increase in upstream production quarter over quarter. The stock also offers a 1.6% dividend yield.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock has fallen 14% in 2017, as the company has been plagued by setbacks on some of its key projects. However, the stock spiked 6% on November 30 after Enbridge leadership announced it plans to sell $3 billion in assets in 2018. The company alleviated concerns about its dividend growth in announcing a 10% dividend hike on March 1, 2018. It also reiterated that this growth would continue through 2020. Currently, the stock offers a 5% dividend yield.

Of the two stocks above, I like Enbridge in 2018, as the company looks to clear up its Line 3 Replacement project with Minnesota regulators. Investors should be presented with clarity, and it still offers a very attractive dividend.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:ENB (Enbridge Inc.)
4. TSX:IMO (Imperial Oil Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/23

Date Created
2017/12/06
Author
aocallaghan