Did You See? Crescent Point Energy Corp. Shares Are up 18% Over the Past 2 Weeks

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) shares are up an impressive 18% over the past two weeks, as the energy sector rebounds and the market begins to digest the latest tax reforms.

Energy Select Sector SPDR (ETF) (NYSEARCA:XLE), an exchange-traded-fund that attempts to capture the broader energy market, is up 6% for December and up 19% since the start of September, as the price of West Texas Intermediate Crude (WTIC), the U.S. benchmark for oil, has risen 31% over the past four months, including a strong move on Tuesday, up 2.57% for the day.

The spot price for WTIC closed for $59.97 on Tuesday, just pennies shy of the US$60 mark and the highest level in over two-and-a-half years.

The market is becoming more bullish on oil and the broader commodities market, as inflationary expectations begin to creep up again.

The forthcoming U.S. tax cuts will have the effect of deploying trillions of dollars into the U.S. economy, which should have the effect of pushing prices — including fuel costs — higher.

That has commodity traders bullish, despite expectations that the Organization of the Petroleum Exporting Countries (OPEC) and U.S. shale producers will be turning on the taps once again as we head into the new year.

Despite lower oil prices that have plagued the industry since the middle of 2014, Crescent Point has managed to maintain its dividend payout, unlike some of the company's peers, including **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE), which suspended its dividend payout entirely in the fall of 2015 following a 55% cut when the slump in oil first took shape.

Crescent Point too was forced to cut its payout — twice, in fact — by 57% in July 2015 and then again in March 2016 by another 70%.

Yet today, with a monthly payout of $0.03, or $0.36 annually, Crescent Point's dividend yield is 3.93%, which is actually pretty attractive in light of its growth prospects, as the majority of its assets today remain undeveloped.

But things were hit or miss for Crescent Point shareholders during most of 2017, as the company needed a price of US$55 WTIC or higher to maintain that payout, while the price of oil had trouble finding support.

The end result was some unusually high volatility in the company's share price — in the fourth quarter alone, shareholders experienced 20% gains in a matter of months, followed by similar losses, as the market worked to sort out the future of Crescent Point.

Bottom line

With oil now challenging US$60 mark, the picture is starting to look a little clearer.

If oil prices can stay elevated at current levels — or higher — for much of 2018, Crescent Point shareholders should expect to see their company's fortunes improve.

Even while the current forecast remains for Crescent Point to finish 2018 in the red again for what would be the fourth consecutive year, investors should be instead focusing on the company's cash flows, which should be net positive for the year, allowing the company to maintain the current dividend payout and reinvest in more positive net present value projects, which will carry the company forward to greener pastures.

The future remains bright for Crescent Point's shareholders provided the company can continue on its current path.

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