



Canadian Energy Stocks Could See a Boost as More Experts Call for Higher Oil Prices in 2018

Description

The spot price of oil was driven higher on January 23, even after the Energy Information Administration (EIA) forecasted that fuel production would reach record levels in 2018 and 2019. Crude oil output is estimated to average 10.3 million barrels per day, which represents a 10% increase from 2017 levels. Meanwhile, Saudi Arabian oil minister Khalid al-Falih has made the push for more coordination between the Organization of Oil Exporting Countries (OPEC) beyond 2018.

The minister suggested that OPEC “should not limit our efforts to 2018.” Currently, OPEC has a production cut in place until the end of 2018 that was agreed upon in late November of 2017. Recent reports also suggest that pension funds in Russia are gearing up to invest heavily in Saudi Aramco, which will extend ties between the two largest oil producers in the world.

The oil hedge fund BBL Commodities has predicted that Brent crude will reach \$80 in 2018 on the back of production cuts. [Middle East tensions have also worsened](#) after Turkey engaged Syrian-Kurdish forces, which have had the tacit backing of the United States in the Syrian Civil War. The oil-rich northern regions of Syria and Iraq have been a powder keg, as other forces begin to fill the vacuum after the fall of the Islamic State.

Jonathan Goldberg, the found of BBL Commodities, predicts that a stockpile drop will be more than enough to propel crude to new heights. “We think the market is vastly overestimating the near-term inventory buffer,” Goldberg said in a recent interview. However, Goldberg added the caveat that he is not bullish on oil in the long term.

If this rally turns out to be short-lived, investors should be prepared to take advantage of Canadian [energy](#) and, in particular, oil-focused stocks that will benefit.

Baytex Energy Corp. (TSX:BTE)(NYSE:BTE) is a Calgary-based oil and gas company. The stock has climbed 13.5% in 2018 as of close on January 23. Shares have also increased 39% over a three-month span. In the third quarter 2017, Baytex saw Hurricane Harvey deal damage to its Eagle Ford operations, which resulted in a downtime of about 1,500 barrels of oil per day. Baytex reported that its

net debt fell by \$115 million year over year.

Imperial Oil Ltd. ([TSX:IMO](#))(NYSE:IMO), which is another Calgary-based oil and gas company, has seen its stock rise 3.1% in 2018 and 10% over a six-month period. In late December, Imperial Oil was forced to announce that its joint-venture to construct a natural gas pipeline through the Northwest Territories had been dissolved. The stock last offered a modest quarterly dividend of \$0.16 per share, representing a 1.5% dividend yield.

The World Economic Forum (WEF), which runs from January 23-26 this year, should provide further insight into where global leaders see oil heading this year. For the time being, the possibility of production cut extensions from OPEC combined with continued conflicts in oil-rich Middle East regions should keep the oil bull running into the late winter.

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