



Are These 3 Energy Stocks Overbought After a Rally in Oil Prices?

Description

The price of oil has rallied in recent weeks, which has resulted in a bounce back for many [top energy stocks on the Toronto Stock Exchange](#) (TSX). This has bolstered the energy-heavy S&P/TSX Composite in April, but can it last?

A commodity strategist at **Goldman Sachs Group Inc.** recently laid out the case for \$80 oil in 2018. This came on the heels of U.S. president Donald Trump directly targeting the Organization of Petroleum Exporting Countries (OPEC). "Looks like OPEC is at it again," Trump tweeted on the morning of April 20. "With record amounts of oil all over the place, including the fully loaded ships at sea, oil prices are artificially very high! No good and will not be accepted!"

Saudi Arabia, the largest producer in OPEC, has been rumoured to be targeting \$80 a barrel or more. In addition to temporarily softer inventory reports, the decision by the Trump administration to [strike](#) the Russia-backed Syrian government with its French and British allies also caused oil prices to rise.

Today, we are going to look at three energy stocks that have benefited from this broader rally. Should investors cut and run from energy in the midst of this rally, or is the best yet to come?

Gran Tierra Energy Inc. ([TSX:GTE](#))(NYSE:GTE) is a Calgary-based company engaged in the oil and gas industry. Shares of Gran Tierra have surged 13.1% month over month as of close on April 23 and are up 18% in 2018 thus far. The company released its 2017 fourth-quarter and full-year results on February 27.

Gran Tierra reported average annual Columbia-only production of 31,426 BOE per day in 2017, which represented a 20% increase from 2016. In the fourth quarter, funds flow from operations rose 25% to \$69 million, and for the full year oil and gas sales climbed 46% to \$422 million.

Parex Resources Inc. ([TSX:PXT](#)) is a Calgary-based oil and gas company with operations in South America. Parex stock has climbed 15.1% month over month and is up 17% in 2018 so far. The company released its 2017 Q4 and full-year results on March 5.

In 2017, oil and natural gas production averaged 35,541 BOE per day, representing a 20% increase

from 2016. Funds flow from operations rose 94% from the prior year to \$279.5 million, and it reported net income of \$155.1 million compared to a net loss of \$46.4 million in 2016.

Whitecap Resources Inc. ([TSX:WCP](#)) is yet another Calgary-based oil and gas company. Its stock has climbed 19.6% month over month and is up 6.8% year to date. Shares are still down 2.2% year over year.

The company released its 2017 fourth-quarter and full-year results on February 28. Petroleum and natural gas sales hit \$1 billion in 2017 compared to \$635 million in the previous year. Whitecap reported net income of \$508 million in comparison to \$384 million in 2016. The company also hiked its dividend by 5% in 2017 to \$1.36 per share, representing a 3% dividend yield.

Should you jump on this rally?

Experts and analysts have turned bullish on oil in recent weeks. Oil prices could continue to see an upward trend ahead of a decision from the Trump White House on the Iran nuclear deal. The appointment of hawkish Mike Pompeo and John Bolton to secretary of state and national security advisor appear to signal that Trump is ready to scrap a deal that he himself has been extremely critical of. The re-imposition of sanctions on Iran would see a major blow dealt to a country that exported nearly one billion barrels in 2017.

The aforementioned energy stocks have room to run in April and May.

CATEGORY

1. Energy Stocks
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2. TSX:GTE (Gran Tierra Energy Inc.)
3. TSX:PXT (PAREX RESOURCES INC)
4. TSX:WCP (Whitecap Resources Inc.)

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