



Could the Iran Crisis Push Energy Stocks to New Heights in May?

Description

In January, I'd discussed the [ongoing geopolitical struggle](#) between Saudi Arabia, Israel, and their geostrategic foe Iran and how it could impact the price of oil.

The devastating civil wars in Syria and Yemen have developed into protracted proxy wars that have cost the lives of hundreds of thousands of people. The tensions between the top powers in the Middle East have worsened in recent months, and May 12 has emerged as a crucial date that could send reverberations throughout the war-torn region. That is the date when U.S. president Donald Trump will decide whether to re-impose sanctions on Iran and potentially pave the way for the scrapping of the Iranian nuclear deal.

On April 30, Israeli prime minister Benjamin Netanyahu delivered a speech denouncing the Iranian government for allegedly lying during and after the negotiation for the Joint Comprehensive Plan of Action (JCPOA), which was reached in 2015. The speech came after strikes were conducted in Syria that reportedly killed more than a dozen Iranian military advisors. Israel refused to comment on the attacks. Trump, commenting on Netanyahu's address in a Rose Garden press conference later the same day, said it had proved him "100% right."

Trump refused to say what he planned to do on May 12. However, the president has been openly hostile to the deal since launching his presidential campaign, and Trump recently appointed two hawks that have been equally critical of the deal; Mike Pompeo as secretary of state, and John Bolton as national security advisor. The Trump administration may also be emboldened, as its aggressive stance toward North Korea has [seemingly netted a favourable result](#).

The re-imposition of sanctions on Iran could take out as much as one million barrels per day of crude supply. Oil has rallied in recent weeks, indicating that traders are already pricing in an end to the deal. The U.S. benchmark reached \$69 in recent days, the highest mark since late 2014. Strong demand and supply cuts by OPEC nation Saudi Arabia and Russia have also contributed to the rally. The Canadian energy sectors has also received a boost due to the high prices.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#)) stock has climbed 9.7% month over month as of close on

May 2. Most recently, Suncor announced that its Fort Hills oil sands mine is producing 150,000 barrels per day, which broke the 190,000 barrels per day threshold faster than the company had projected.

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#)) has struggled to capitalize on the rally, dropping 2.8% month over month. The company was dealt a setback in late April after a Minnesota judge recommended its existing Line 3 project follow the existing route. The stock has dropped 19.9% in 2018 so far.

Imperial Oil Ltd. ([TSX:IMO](#))(NYSE:IMO) stock has climbed 15.3% month over month. The company posted earnings of \$516 million in Q1 2018 compared to \$333 million in the prior year. It also raised its dividend to \$0.19 per share, representing a 1.6% dividend yield.

Investors should not anticipate a dramatic jump in oil prices if Trump decides to re-impose sanctions. With the decision, energy stocks are likely to exhale in May.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
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4. TSX:ENB (Enbridge Inc.)
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Author

aocallaghan

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