



Is the Party Over for Energy Stocks After the OPEC Policy Shift?

Description

Canadian energy stocks played a key role in an [April and May rally](#) for the S&P/TSX Composite Index. Oil prices surged on news of softer inventories and the decision by the Trump administration to torpedo the Iranian nuclear deal. However, recent events have sharply reversed this trend, which concerns investors who may have dipped into energy after a [positive spring](#).

The Organization of Petroleum Exporting Countries (OPEC) saw its premier members, Saudi Arabia and Russia, push for a policy to ramp up oil production in the near term. This plunged WTI Crude below \$70. Now OPEC is set to convene in Vienna on June 22, setting up what will be a crucial meeting. Russia and Saudi Arabia are looking to take advantage from the loss of supply from Venezuela and Iran in their push for a production revival. Reports indicate that most members were not consulted regarding the Saudi-Russia initiative.

The S&P/TSX Composite Index dropped 59 points on May 28. Should these developments drive investors to take profits in some of the top Canadian energy stocks? Let's take a look at three companies to watch ahead of the meeting in June.

Suncor Energy Inc. ([TSX:SU](#))([NYSE:SU](#))

Suncor Energy stock has climbed 8.7% in 2018 as of close on May 28. Shares have plunged 5.9% over the past week. Suncor has been a star performer among other Canadian energy companies. It released its first-quarter results on May 1.

Suncor reported funds from operations of \$2.16 billion in Q1, operating earnings of \$985 million, and net earnings of \$789 million. The company posted refinery utilization of 98% and crude throughput of 453,500 barrels per day. This was the highest recorded in a quarter for Suncor.

The company last delivered a dividend of \$0.36 per share, representing a 2.6% dividend yield. Suncor is still a solid long-term hold, but investors may want to skim profits in the short term and prepare for a bout of volatility in the oil and gas sector this summer.

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE)

Baytex Energy has seen its stock soar 40.8% in 2018, reaching year-over-year highs above the \$6 mark in early May. However, shares have plunged 10.4% over the past week. In the first quarter, Baytex reported that it generated production of 69,522 boe/d. This was down marginally from the same period last year. Baytex stock is a risky hold as we look ahead to the summer.

Imperial Oil Ltd. ([TSX:IMO](#))(NYSE:IMO)

Imperial Oil stock has climbed 5.7% in 2018 and is up 7% year over year. Shares are down 1.5% over the past week. The company saw profit soar 55% in the first quarter with its refining and chemicals business surging on the back of cheaper raw materials, which helped it overcome softer oil prices. Boasting a dividend of \$0.16 per share, Imperial Oil is still a robust option for those who want energy exposure.

CATEGORY

1. Energy Stocks
2. Investing

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