Now Is the Time to Get Bullish on Crude

Description

Oil continues to move higher, and the outlook for crude in a short amount of time has turned exceptionally bullish. West Texas Intermediate (WTI) spiked sharply this week, surging to above US$71 per barrel, while the international benchmark Brent reached just over US$77 a barrel. This has occurred, despite OPEC and Russia announcing that they intend to open the spigots and add one million barrels daily back into global energy markets.

default watermark

The reasons for this are varied, but key has been the removal of the uncertainty surrounding OPEC's decision and Trump's threats to slap sanctions on countries that don't cease importing Iranian crude.

There is every sign that oil is firmly on the path to recovery, and that higher prices are here to stay, making now the time for investors to get bullish on crude. This bodes well for Canada's energy patch, where many drillers have been mired by weaker oil and the deep discount applied to Canadian heavy crude. The latest signals from global energy markets make now the time for investors to load up on energy stocks.

Now what?

There is every likelihood that OPEC, along with Russia, is incapable of adding the full one million barrels to global energy markets. This is because many members are already operating at capacity, while Venezuela's oil output is deteriorating at a rapid clip, and outages continue to plague war-torn Libya.

The hard line toward Iran adopted by the Trump administration appears to be far stricter than the regulations that were in place under the previous administration; this stance has the potential to remove up to three million barrels of crude from global energy markets.

You see, while the Obama administration put in place tight sanctions that were recognized by an international coalition, it also granted considerable leeway to countries that depended on Iranian oil; in effect, those sanctions only removed about one million barrels of crude from global energy markets.

Trump appears determined to completely choke off Iranian crude from world oil markets. This could essentially prevent Teheran from finding buyers for the majority of the 3.8 million barrels the country produces daily. The threat of U.S. sanctions against countries that import Iranian crude is a compelling stick, especially in light of the dependence of many nations on U.S. financial markets and Trump's demonstrated willingness to impose tariffs on imports. Clearly, that creates a considerable incentive to comply with his administration's demands.

So what?

The surge in oil is a boon for **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG), which has substantially lagged behind oil, falling by just over 1% since the start of 2018 compared to WTI's 22% gain. That has created an opportunity for investors, particularly given that the driller has embarked on a strategy to unlock value, including focusing on strengthening its balance sheet, implementing operational efficiencies, and maximizing the return on capital employed.

This program — along with the optimistic outlook for crude, Crescent Point's quality oil assets, rising production, and low operating costs — all bode well for the company to report stronger results, which will cause its stock soar in coming months. There is every likelihood that once higher oil has been in play for a sustained period that management will consider hiking its dividend, which currently yields just under 4%.

default watermark

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/23
Date Created
2018/06/27
Author
mattdsmith

default watermark