



Should You Look to Energy Stocks Again After the OPEC Deal?

Description

Last week I'd [discussed the OPEC meeting](#) that was set to take place on June 25. Much had been made in the lead-up to the meeting of the talks between Saudi Arabia and Russia that seemed to indicate a shift in policy. With supply from Iran now in question after the torpedoing of the nuclear deal courtesy of the Trump administration, both oil giants had made up their minds to push for a ramp-up in production.

OPEC members announced after the June 22 meeting that they would “strive” to comply with their output agreement. Saudi Arabia is expected to flood the market with its oil in the coming weeks, which represents a geopolitical win for Crown Prince and U.S. ally Mohammed bin Salman. Venezuela and Iran, two chief U.S. rivals, have come out as losers in the deal. Not surprisingly, Saudi Arabia and its gulf allies are the only nations capable of boosting output at the rate required.

Oil prices moved further north on June 26 after the American Petroleum Institute (API) reported a draw of 9.228 million barrels of crude oil inventories for the week ending June 22. This wiped out analyst estimates that projected a crude draw of under 3 million barrels. Prices also experienced momentum due to expected disruptions in Libya.

With all of these factors converging, are Canadian oil and gas stocks a good bet this summer? Let's take a look at three stocks to watch.

Baytex Energy Corp. ([TSX:BTE](#))([NYSE:BTE](#)) stock rose 3.06% on June 26. Shares have plunged 18.4% over the past month, with oil prices losing momentum. The stock is still up 16% in 2018 and 44% year over year.

Canadian Natural Resources Ltd. ([TSX:CNQ](#))([NYSE:CNQ](#)) stock jumped 3.51% on June 26. Shares of the company have surged 7.9% over the past week, but have been largely flat in 2018 thus far. The stock is up 20% year over year.

Imperial Oil Ltd. ([TSX:IMO](#))([NYSE:IMO](#)) rose 2.09% on June 26. The stock has climbed 10.9% in 2018 and is up 13% year over year.

The scuttling of the [Iran nuclear deal](#) courtesy of U.S. President Donald Trump threw the global oil market into flux. Investors are now starting to get a clearer picture, and it may be a positive one for the Gulf States, Russia, and even Canada. A note from **Goldman Sachs Group Inc.** on Monday read, "The oil market remains in deficit with resilient demand growth and rising disruptions requiring higher core OPEC and Russia production to avoid a stock-out by year-end."

The bank is projecting a big boost in production, but says that this will be needed and should not result in a market downturn. This should be good news for the above three and other oil and gas stocks this summer. Broader market volatility will also be worth monitoring, and could eat into any upside for energy stocks going forward.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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3. TSX:BTE (Baytex Energy Corp.)
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Date

2025/08/22

Date Created

2018/06/27

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