



## Is Baytex Energy Corp. (TSX:BTE) Stock a Buy Right Now?

### Description

The meltdown in the price of oil has been dramatic in recent months, and that has hammered the share prices of [energy stocks](#) with large debt positions.

Let's take a look at the current situation in the market to see if this might be an interesting time to take a contrarian position in **Baytex** ([TSX:BTE](#))(NYSE:BTE).

### Oil market

The price of WTI oil has fallen from US\$76 per barrel in early October to below US\$45. The steep decline in such a short timeframe has caught market watchers and investors off guard, especially given the previous expectations that oil would head higher heading into 2019.

What happened?

Pundits assumed that new U.S. sanctions against Iran would trigger a supply shortage and boost prices. In addition, Saudi Arabia was expected to resist pressure from the U.S. to increase output to make up for drop in supplies from Iran.

Instead, oil has plunged on rising output in the United States and on concerns that an economic slowdown in China could hit demand.

Conspiracy buffs might have different opinions about why the market has plunged so much, but the end result has been a bloodbath in the Canadian energy sector.

Where we go from here is anyone's guess, although the pullback is starting to appear overdone.

### Should you buy Baytex Energy?

WTI just had a nice Boxing Day bounce, and that triggered a 14% surge in Baytex on the NYSE amid a broad-based market rally. The move shows how much upside the stock can deliver when sentiment

shifts. If bargain hunters continue to move back into the oil market in the coming weeks, this stock could go much higher.

How high?

At the time of writing, Baytex trades close to \$2 per share. The stock fetched \$48 during the 2014 peak when oil was US\$100 per barrel. Investors shouldn't expect to see a return to the previous high, but a surge back above \$4 could easily occur.

Debt remains a risk, especially if the latest surge proves to be a head fake and the rout drags into the middle of next year, so any new position should be kept small. The merger with Raging River Resources in recent months didn't impress the markets much, but the deal could deliver benefits down the road.

Current oil prices appear unsustainable for the long haul. I wouldn't back up the truck, but investors with a stomach for volatility might want to consider a contrarian bet today.

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1. Energy Stocks
2. Investing

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