



## Is Baytex Energy Corp. (TSX:BTE) Stock a Buy After the 25% Surge?

### Description

The oil market has finally picked up a small tailwind, and that is bringing funds back into [oil stocks](#).

Let's take a look at the current situation and see if **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) deserves to be on your [buy list](#).

### Oil rebound

WTI oil fell from US\$76 per barrel in early October to a late-December low near US\$43. The rout caught many investors and market watchers by surprise.

New U.S. sanctions against Iran are now in effect. This was supposed to put pressure on global supplies and keep prices at or near the 2018 highs. Saudi Arabia and other OPEC members have little motivation to replace the shortage in the market, but economic concerns apparently carried more weight.

Trade tensions between the United States and China have led to fears that an economic slowdown in China could trigger a global recession. This would potentially put a dent in oil demand. In recent days, the headlines have been more positive, with representatives on both sides of the table suggesting progress in trade talks is being made.

The result has been a spike in WTI back above \$51 per barrel. If the rally continues, the entire oil sector should get a nice lift.

### Should you buy Baytex?

At the market peak in 2014, Baytex traded for \$48 per share and paid a monthly dividend of \$0.24 per share. The company had just closed its \$2.8 billion purchase of Aurora Oil and Gas, giving Baytex significant assets in the Eagle Ford shale play in Texas.

Baytex was forced to scrap the distribution when oil prices subsequently tanked. To its credit, Baytex moved quickly to protect cash flow and negotiate new terms with lenders. These early moves, as well as a timely share sale, allowed the company to retain the majority of its assets, which is why the stock is attracting contrarian investors.

In addition, Baytex merged with Raging River Resources in August 2018. The deal provided some relief to the balance sheet, and Baytex even hinted at a potential return to dividend payments in 2019.

Debt remains an issue, especially of the recent oil surge turns out to be a head fake, so investors should keep any bets relatively small as a percentage of their holdings.

That said, the 25% surge from \$2 to \$2.50 per share in recent days is an indication of how much upside potential there is for the stock. If oil continues to rally, a wave of funds could flow back into the stock, and it wouldn't be a surprise to see Baytex move back toward \$4. Investors could also see a takeout premium if a suitor decides to step in and buy Baytex while it is still cheap.

Other stocks also deserve to be on your radar today.

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1. Energy Stocks
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