Could Crescent Point Energy Corp. (TSX:CPG) Stock Double in 2019?

Description

Oil prices have started to recover from their recent lows, and this is bringing investors back to the beaten-up energy sector.

Let's take a look at the current situation in the oil market and see if **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) might be an interesting pick for your portfolio right now.

Oil outlook

Oil prices have picked up a nice tailwind to start 2019. The rise in WTI from a low of US$43 per barrel in late December to above US$50 is still well off the US$76 high the commodity hit in early October, but more gains could be on the way.

Why?

Positive comments coming out of China and the United States regarding progress on trade talks is providing some new optimism that the two economic giants might come to an agreement sooner than expected. Fears that an economic slowdown in China could tip the global economy into a recession made oil traders nervous in recent months. If China and the U.S. can seal a new deal in the first part of 2019, oil could quickly return to its 2018 peak.

The U.S. dollar is also playing a part in the recovery. A sharp pullback in the value of the greenback against a basket of key foreign currencies is helping support oil's upward move. The commodity is priced in U.S. dollars, so any weakness in the American dollar tends to push oil higher.

Supply is another factor to consider. Saudi Arabia and Russia are leading an effort to cut global oil supply by 1.2 million barrels per day starting this month, after an agreement reached in a December meeting of OPEC members and other key oil producers.

The cuts are designed to offset rising U.S. production. The wildcard in the market is the impact of the new U.S. sanctions against Iran. Saudi Arabia and other international producers would like to see WTI back near US$80 per barrel.

Ongoing volatility should be expected, but the near-term trend appears to be supportive for higher oil prices.

Could Crescent Point rise 100%?

Crescent Point traded for $45 per share at the peak in 2014 and paid out a large dividend. Today, investors can pick up the stock for about $4.50. Crescent Point cut the distribution down to just $0.03 per month, but that provides a 7.9% yield at the current stock price.

I wouldn't buy for the dividend, but contrarian investors might want to consider taking a small position if they are of the opinion oil will recover. Crescent Point owns attractive light-oil assets, and the new management team is working hard to reduce costs and monetize non-core holdings.

Debt remains a concern, but the stock has come down so much that any positive momentum in the energy sector could send the share price much higher. A return to the glory days is probably wishful thinking, but a move back to $9 in 2019 is not out of reach, especially if Russia and Saudi Arabia can succeed in their efforts to push oil back to US$80.

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