



Oil Prices Hit \$70: Why Now Might Be a Great Time to Buy Oil and Gas Stocks

Description

This week, we've seen oil prices continue to rally, reaching highs not seen for months. On Wednesday, the price of Brent oil hit over US\$71/barrel while West Texas Intermediate (WTI) was approaching US\$65. With turmoil in many parts of the world driving oil prices up, now might be the perfect time to buy undervalued oil and gas stocks that could be poised for big returns.

Supply issues could stimulate more of a rally

OPEC already put production cuts back into place late last year. However, with multiple countries running into issues that have impacted oil production, commodity prices have pushed up even further, and more increases could be on the way. In Libya, violence in the country has put its near-term oil production in jeopardy. Meanwhile, Venezuela has been impacted by U.S. sanctions as well as problems with mass blackouts. Iran is another country where tougher sanctions could also play a role in its oil production.

With no shortage of supply issues, in the short term we could see oil prices continue to rise. That's already starting to pay off for oil and gas stocks. **Cenovus Energy Inc** ([TSX:CVE](#))([NYSE:CVE](#)) was up around 4% on Wednesday, and year to date the stock has risen more than 30%.

If you're bullish on these trends continuing, then Cenovus could be a good option to invest in. Despite the increase in price, the oil and gas stock is still trading at a [discount](#). It could be a good opportunity to buy low for a stock that will have much greater upside under more favourable conditions

Although Cenovus is coming off a [rough quarter and finish to the year](#), that could change in 2019 if higher commodity prices help encourage more capital spending, as many producers have cut back in order to tighten up their financials.

With this being an election year, a change in leadership both in Alberta and at the federal level could generate some much-needed optimism for the industry. Politics and government have not been helpful in advancing pipelines and getting the industry back on its feet, and a change in power could do much to alleviate concerns about their being a lack of support from key leadership positions in the country.

Bottom line

Cenovus has been a very volatile stock, but so too have oil prices. If the company has been able to survive the downturn and get to where it is today, then it's in a good position to succeed going forward.

However, it may take some time before we see investors return, and if these prices prove to be temporary, then corrections in share price are likely to follow. If we can see Brent or WTI prices stay at or above their current levels for at least a couple of months, that might be enough to convince the markets that there might be some real progress being made as opposed to just temporary supply shocks. That could in turn lead to some better stability in Cenovus' share price as well.

CATEGORY

1. Energy Stocks
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