The Energy Stock That Grew 720% in Trading Volume in 1 Day

Description

For the last six sessions, the shares of **Crescent Point** (TSX:CPG)(NYSE:CPG) have been heavily traded on the TSX. These are signs the stock will rise even higher, similar to what transpired the previous month. On March 15, trading volume rose +721.53% to 27.4 million and closed the day at $3.96.

Since that time, and as of this writing, the price is up $5.64, which represents a 42.42% jump. But what is most notable is the trading volume, which has averaged 10.2 million in six days. Oil stocks are seemingly on recovery mode, and Crescent has been the most active of all.

Solid performance

The sudden upward tick is encouraging; some analysts have started to chart the possible price movement. They see the stock posting higher highs or possibly higher lows from here on. In case of a price drop, the worst it could go down to is $5. However, the best it could climb up to is $12, or a +112.76% jump.

Other analysts are offering a more conservative estimation but still a constructive prediction. Crescent could be headed to $7.11 or jump only by +26.06%. This level is achievable with the way the price is currently trending. The stock's 52-week high is $11.81, so the first forecast could be exaggerated.

Dividend payments in peril

Even though Crescent is not a sector leader, the company is a big oil producer. Also, it used to be the top-of-mind oil and gas stock. With the oil rally serving as the rocket fuel, the company hopes to win back investor trust. But events of the not-too-distant past remain fresh in people's mind.

The sector to which Crescent belongs is a tough one. What we're seeing today can be for a limited period only. It can be recalled that when the sector suffered a squeeze due to dwindling oil prices, there was an overreaction. Debt levels increased while production was muted. And the company resorted to a quarterly dividend cut.

Twice already this year, Crescent reduced dividends. Investors are usually displeased by dividend cuts. Likewise, production growth is almost flat. These two factors are can hardly be called incentives.

From neutral to outperform

If you're not fully convinced by the hypothesis, you can wait for Crescent's next earnings report scheduled on May 9. But the company made excellent moves and major improvements, resulting in more financial muscle and flexibility.

The company sold non-core assets to free up cash worth $355 million. Total debt has been reduced that only $74 million is falling due this year. More so, the existing cash reserves can take care of all debts outstanding and due in the next three years. By year-end 2019, about $400 million in free cash flow will be earned.

After a dismal performance in 2018, Crescent has rejuvenated itself, and market observers are changing their trend recommendations from neutral to outperform. They see a better showing this year and a winning energy stock.

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