



Is Baytex Energy (TSX:BTE) Stock a Buy Today?

Description

Canadian oil companies are under pressure, and investors who stayed on the sidelines during the 2019 pullback are wondering if this might be the right time to take a [contrarian](#) position in the sector's walking wounded.

Oil prices

The price of WTI oil has been quite volatile in the past year, falling from US\$76 per barrel in early October to about US\$42 in late December. A new rally took it back to US\$66 in late April, but weakness has returned to the market and WTI currently trades close to US\$53.

Market watchers might well be scratching their heads. The plunge late last year caught most people off guard, as it was assumed that the new sanctions against Iran would tighten the market, sending prices higher. Instead, it appears that the trade dispute between the United States and China is having a larger impact.

China's economic growth is slowing, and a prolonged trade battle could well make the situation worse. If the global economy takes a hit as a result, oil demand could fall, potentially sending prices plunging back toward the US\$40 level.

On the flip side, the ongoing geopolitical challenges in the Middle East threaten to push oil prices higher. If Iran decides to block the Strait of Hormuz, the U.S. would likely intervene, and oil prices would likely soar. The Middle East is already in a fragile state, and any escalation in the conflict between the U.S. and Iran could have a domino effect.

Time to buy?

Oil stocks have taken a beating, with many now trading near their multi-year lows. **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) is trading at close to \$2 per share at writing. Long-term followers of the stock are well aware that this used to be a [dividend](#) darling in the Canadian oil patch that trades for \$48 and

paid out an annualized distribution of \$2.88 per share before the crash began in 2014.

Baytex got caught with a large debt load, and while the company was able to raise cash at an opportune time in 2015 and renegotiated terms with lenders, the stock continues to be out of favour. Debt is still an issue, which will continue to pressure the share price as long as oil prices remain weak. If you are of the opinion that WTI oil is headed back to US\$40 by the end of the year, you should probably look for other places to invest your money today.

However, contrarian investors who see an oil rally on the horizon might want to consider a small position. Baytex has held onto most of its top assets through the downturn and the resource base, especially in the Eagle Ford shale play, is attractive. The stock tends to make big moves when oil prices shift, and it wouldn't be a surprise to see Baytex take a run at \$4 if oil can find a way to rally through the end of the year.

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