This Energy Stock Just Soared on Rising Oil — but Is It a Buy?

Description

Prices of Brent and WTI were up at the end of the week, with pundits divided as to the cause. While the obvious answer lay in the ratcheting tensions in the Middle East, there are at least two other factors that are possibly more likely causes for the jump in oil: the U.S. Federal Reserve announced a rate cut, while President Trump confirmed that he will be discussing trade with China's President Xi at the G20 summit at the end of the month.

Baytex Energy (TSX:BTE)(NYSE:BTE) in particular has had a good run of it this week, with a positive development in the Trans Mountain pipeline situation thrown into the mix this side of the border.

Up 8.72% over the course of this working week, the rise was significantly high and bodes good things for oil stock investors if the current mix of factors persists. Indeed, an end to the Sino-American trade war would see markets lifted across the board.

Words of caution from the oil patch

Baytex Energy is especially susceptible to changes in the pipeline scene, given its dependence on operations in Saskatchewan and Alberta. Indeed, analysts estimate a large +60% production growth entirely from its sites in the West.

That's why the Trans Mountain pipeline go-ahead is such a big deal for Baytex Energy, and why the rush toward its stock makes perfect sense. In fact, the boost to this stock from the pipeline development is likely to be prolonged and rewarding.

The second half of the year will likely be marked by a series of rallies in the oil patch. There are a lot of moving parts on the world stage, but so far all of them are impermanent.

Once the pipeline is built and the oil is flowing; once the trade tensions between U.S. and China are resolved; and once the tensions in the Middle East fizzle out, the oil sector will settle back down to OPEC tedium. In other words, I believe now would be a good time to get in on Baytex Energy.

There are several danger zones with Baytex Energy, however, so let's take a quick look at them. I can identify at least three reasons to hold off on a committed position: First, health is not Baytex Energy's strong suit – it carries around 70% debt compared to net equity.

Second, any hold-ups or hitches in the pipeline development will see its share price wobble. Third, the oil sector will likely be highly volatile in the coming months, thanks to a variety of ongoing geopolitical stressors.

The bottom line

With the Trans Mountain pipeline getting the all-clear, it makes sense to run with the crowd for once. Baytex Energy is likely to continue to rise on the news.

Meanwhile, other factors – from the tensions in the Middle East to the prospect of fiscal massaging south of the border and a positive breakthrough in the Sino-American trade war – have the potential to continue pushing the oil sector higher in the latter half of 2019.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date
2025/07/05
Date Created
2019/06/23
Author
vhetherington