Oil Stockpiles Rise in West, Fall in East

Description

The outlook on North American oil is bullish. U.S. oil producers are increasing production, meaning they see a marginal profit opportunity in producing additional output.

According to the American Petroleum Institute, crude oil inventories are rising in the U.S. Moreover, **Chevron** is reportedly putting several Nigerian oilfields on the market in a bold move to increase U.S. shale output.

default watermark

It is a significant decision for a company like Chevron to decide to sell lower-cost assets in Africa in favour of more expensive North American production. Africa might come with substantial political risk, but oil is much cheaper to produce in Nigeria than in the U.S. North American oil producers typically struggle to remain cost-competitive in the industry.

Not all the news is good for North America

Denmark turned its back on the U.S. oil industry on Wednesday when it announced the approval of an underwater gas pipeline in its state. The joint German-Russian oil project will facilitate natural gas sales between Germany, Europe’s biggest natural gas importer, and Russia, a crucial supplier. The U.S. adamantly opposed the underwater pipeline.

Saudi Arabia may consider some output cuts along with other OPEC countries, but Russia may not be willing to cooperate. If OPEC does cut production, this will undoubtedly make some room for North American oil producers to increase output without lowering profit margins. A supply decrease in the east should offset the price impact of an increase in production in North America.

Also in the news, OPEC extended to Brazil an invitation from Saudi Crown Prince Mohammed Bin Salman, himself, to join OPEC. Brazil’s president, Jair Bolsonaro, has responded with interest at the prospect of joining the organization.

Painted Pony Energy trading volume up to 969,119

Canadian oil and natural gas producers like **Enbridge**, **Encana**, and **Painted Pony Energy** (TSX:PONY) are all struggling to keep up in the complex geopolitical environment.

Painted Pony Energy is trading at a higher volume than any other natural gas stock on the Toronto Stock Exchange as of Tuesday. With a market cap of $106 million, this stock is making big moves. It announced an asset sale in North East British Columbia Montney for $45 million. The transaction will close on October 31.

Canadian investors should watch this stock for the rest of the week to see how it performs. At $0.65 per share, it may be a strong stock to buy and hold in your retirement portfolio. The low price means minimal risk with an enormous upside if it becomes a big player, which it looks like it may.

Painted Pony Energy produces natural gas primarily, which means it is shielded from much of the geopolitical conflict involved in the oil industry. Oil makes up only a small portion of Painted Pony's production.

Likewise, stocks with higher investment in oil than natural gas are likely to suffer more from turbulence. North American oil struggles when other oil-producing countries raise output because the lower prices from the supply increase constrain profit margins.

default watermark

North American oil needs high prices to compensate for its lower comparative advantage from its higher cost to produce. The natural gas industry does not suffer from the same complications.

The real determination in both oil and natural gas will be the future of alternative energy sources. Alternative energy is quickly aiming to make both oil and natural gas obsolete, although natural gas may hang onto the market a little longer.

CATEGORY

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

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

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

Date
2025/07/21
Date Created
2019/10/30
Author
debraray

default watermark

default watermark