



Why Now May Be the Time to Bet on Suncor Energy Inc.

Description

This year has not been a good one for the Organization of the Petroleum Exporting Countries (OPEC). The group of 12 countries, which produces a little over a third of the world's oil (and has a vast majority of the world's reserves), has seen the international oil price decline by 25% since June.

The decline has been caused by a couple of factors. First of all, oil markets are oversupplied by about 2 million barrels per day, much of this due to surging production in the United States. Secondly, global economic growth is below expectations, which is holding back demand. Meanwhile, OPEC clearly does not have the same economic clout that it did in years past.

Is there any hope for optimism? Can the cartel raise oil prices again?

A big meeting this week

Amid these issues, OPEC is set to meet in Vienna on Thursday, and a production cut could follow. This could easily be OPEC's most significant meeting in many years – after all, many fund managers see the oil price sliding to \$60 without an OPEC production cut.

Interestingly, half the analysts in a Bloomberg survey last week said that OPEC would cut production. The other half said that the official production target would remain at 30 million barrels per day.

So whatever happens is anyone's guess.

Some reasons for optimism

Saudi Arabia, OPEC's largest oil producer, has made one thing very clear: it is not willing to cut production unless other member states follow suit. Luckily, there are some signs that this will happen.

For one, Bloomberg is reporting that Iran will propose a 1 million barrel/day production cut at the Vienna meeting. The country is struggling mightily with lower crude prices, and likely will do what it necessary to help raise prices.

Furthermore, Russian officials are set to attend the meeting in Vienna as well. Russia is not actually a member of OPEC, but is one of the world's largest oil producers, and is also struggling with lower crude prices. According to a Moscow-based newspaper, Russia may agree to cut production by 300,000 barrels per day if OPEC agrees to a 1.4 million barrel/day cut.

With Russia producing roughly 10 million barrels per day, it could prove to be a very valuable ally to OPEC.

Time to bet on Canadian energy?

Since the international oil price began its slide in June, Canada's energy producers have not fared well. As a whole, the sector is down by about 20% since then.

But now may be the time to bet on a turnaround. And one excellent way to do so is with **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)), Canada's largest energy producer. This is partly because Suncor is going against the grain – next year it will actually be raising its capital budget by about 10%, despite lower oil prices.

So if oil does bounce back, Suncor is primed to take advantage. You may want to make that bet now, before it's too late.

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