



Oil Prices Hit 4-Month High: Is it Time to Buy Oil Stocks?

Description

Oil prices are back in the bull market after September 25th rally. So, is the time right to get excited about top oil stocks?

West Texas Intermediate crude prices were in a bull market after their highest close in about five months to \$52.22 a barrel on September 25. They've climbed more than 20% from lows in June to fulfill the definition of a bull market.

Investors are wondering if this rally has got legs or if it's a range-trading, which has kept oil prices stuck between \$45 and \$55 a barrel.

Irrespective of where oil prices are headed, some oil producers in Canada have started to look attractive. It's almost impossible to predict where the oil prices are headed next, but one thing long-term investors should focus on is a remarkable turnaround in the earnings outlook for many companies.

On this metric, I've picked one top energy stock which needs your attention.

Suncor Energy Inc.

Canada's **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) has very successfully worked on a cost-cutting strategy since the last oil plunge affected its profitability.

At \$39 a barrel in 2011, Suncor was able to cut its production cost to ~\$26 a barrel by 2016. This was achieved by a simultaneous improvement in oil sands production capabilities. The company forecasts its oil production will hit ~800 million barrels per day in 2019 from ~580 million barrels in 2015.

These operational efficiencies have positioned Suncor very nicely to benefit from any prolonged and meaningful recovery in oil prices.

Investors noticing these improvements have been quite bullish on Suncor stock for the past three months; the stock has gained over 11% during this time.

Another factor helping Suncor stock to stage a comeback is that the company has a very diversified business, which continues to produce cash, even when oil prices are depressed.

With oil-exploration assets in Canada and abroad, Suncor also owns refineries and 1,500 Petro-Canada retail locations. This diversification helps Suncor to fare much better in oil price downturns.

The bottom line

If you're an oil bull and looking to add a strong oil producer to your portfolio, Suncor provides a good bargain. Despite its recent rally, Suncor stock has a long way to go if oil prices continue their upward journey.

Suncor is also a good dividend stock. Since 2013, Suncor's dividend payout has grown 60% to \$0.32 a share.

And the company provided consecutive dividend hikes for the past 15 years. The latest increase was in the first quarter of 2017, when the company raised its quarterly payout by 10%.

I think it's a good time to selectively pick oil producers to benefit from a potential rally in oil prices, which have found a solid ground at ~\$50 a barrel. Suncor is certainly a good candidate.

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