



Could This Crisis Impact Suncor Energy Inc. (TSX:SU) and Imperial Oil Ltd. (TSX:IMO) Stock in the Fall?

Description

In the beginning of the year, I'd discussed how [rising tensions](#) in the Middle East could influence oil prices in 2018 and beyond.

The decision by President Trump to pull out of the Iranian nuclear accord, which pleased his Israeli and Saudi Arabian allies, pushed the price of WTI crude passed the \$70 mark. The United States is set to impose severe new sanctions on Iran in late 2018, which will include restrictions on oil sales. The Trump administration requires the co-operation of the Saudi Arabian state to manage oil supplies and prices to maximize the effectiveness of this strategy.

Recent events have the potential to complicate this strategy. It also has the potential to severely disrupt oil prices going forward.

In early October, a Saudi-born journalist named Jamal Khashoggi disappeared inside a Saudi consulate in Turkey. The Turkish government claims that it has evidence that Khashoggi was tortured and murdered within the consulate by a squad of Saudis who arrived in the country the same day. The disappearance and possible murder of Khashoggi, a *Washington Post* contributor and U.S. permanent resident, has inspired outrage in the United States and abroad.

The incident sparked a bipartisan push by U.S. senators and officials to punish the Saudi government. However, the Trump administration has thrown its support behind the Saudi Crown Prince and cast doubt on the claims by the Turkish government. A CNBC report also claimed that the Saudis could soon take action that will aim to push oil prices lower to placate the United States after the incident.

Earlier this month, I'd asked whether some Canadian energy companies could [stage a rally](#) in the end of 2018. Could this unfolding crisis have an impact on some of the larger oil and gas giants?

Suncor ([TSX:SU](#))([NYSE:SU](#)) stock fell 1.03% on October 17. Shares have dropped 12.6% over the past three months. Suncor is set to release its third-quarter results on October 31. The company has been incredibly resilient in the face of volatile oil prices over the past three years. Suncor has benefited

from higher oil prices in 2018 and investors should expect this to continue as WTI crude has established a nice floor. Suncor's infrastructure has largely shielded it from major weakness in Western Canadian Select prices.

Imperial Oil ([TSX:IMO](#))(NYSE:IMO) stock has been mostly flat over the past three months. The company is set to release its third-quarter results later this month. In the second quarter, net income soared 355% year over year to \$196 million and Imperial Oil reported almost \$900 million of cash generated from operations. Net income in the first six months of 2018 has climbed to \$712 million compared to \$256 million in the same period in 2017.

There is no guarantee that U.S.-Saudi Arabia relations will remain stable, and the situation over the disappearance of Khashoggi is still fluid. Saudi Arabia has said that it will respond by moving to increase oil prices if the U.S. seeks to punish it with sanctions. Investors should monitor the situation closely as oil prices could book-end 2018 with major fluctuations due to Middle East politics.

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