



Why These 2 Oil Stocks Rose 5% Over the Last Week

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is one of the largest Canadian energy companies and one of the largest oil producers in the world. Its stock has climbed 5.9% over the past week as of early afternoon trading on January 10. Investors can expect to see Suncor's fourth-quarter and full-year 2019 results in early February.

Pembina Pipeline is a Calgary-based transportation and storage infrastructure company operating in the oil and gas sector. Its shares have increased 4.9% over the past week. The company expects to deliver its Q4 and full-year results on February 27.

The catalyst for oil's surge

The spot price of oil spiked over the past week on the back of a geopolitical earthquake on January 3. Iranian general Qassem Soleimani was assassinated in a strike order by the United States in Baghdad, Iraq. Soleimani was a major figure in Iran, and his death has heightened tensions in a region that has already passed through [decades of bitter conflict](#).

Oil prices rose in the aftermath, as the potential for broader war in the Middle East could be a major disruption for markets. Iran has shown that it possesses the capabilities to hit oil-producing assets, as it has advanced its ballistic missile program in recent decades.

In September, drones were used to attack the state-owned Saudi Aramco oil-processing facilities in Abqaiq and Khurais in eastern Saudi Arabia. The U.S. and Saudi Arabia have blamed Iran for the attack, and France, Germany, and the United Kingdom have said that it bears responsibility. Iran has so far denied any involvement. Afterward, the facilities were shut down for repairs, which cut Saudi oil production in half.

The Trump administration has levied sanctions on Iran, which has limited its ability to capitalize off its own oil production. GOP Senator Lindsay Graham and other party boosters have suggested that targeting Iranian oil assets is on the table. An inflamed proxy war with oil assets becoming key targets has the potential to significantly disrupt financial markets.

De-escalation?

Iran retaliated with ballistic missile strikes on Iraqi bases that housed U.S. troops on January 8. There were no reported casualties. President Donald Trump hinted that no military action was forthcoming but did vow to place additional sanctions on Iran. Some optimists have hailed this as a de-escalation, but the two powers have exchanged direct military blows to start 2020. Investors should monitor events, as this geopolitical struggle looks to intensify over the next decade.

Where does that leave us with oil stocks? Suncor has been a [top target of mine](#), even in the face of bearish conditions. Shares are still trading near 52-week highs, but there are positive developments in the domestic and global markets. Alberta is gradually ramping up production after its cuts in late 2018, which should please management at Suncor.

Shares of Suncor had a price-to-earnings ratio of 14 and a price-to-book value of 1.5 at the time of this writing. This puts Suncor in solid value territory relative to its industry peers. The stock last paid out a quarterly dividend of \$0.42 per share, which represents a 3.7% yield.

CATEGORY

1. Energy Stocks
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Date

2025/09/14

Date Created

2020/01/12

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