



## Contrarian Investors: Is Suncor Energy (TSX:SU) Stock a Top Market Crash Buy Today?

### Description

The market crash of 2020 has Canadian investors wondering which oversold stocks might be attractive picks right now for a [Tax-Free Savings Account \(TFSA\)](#) retirement portfolio.

Investors certainly have a variety of options. The **TSX Index** plunged more than 35% from the 2020 top to the March low. A nice bounce has retraced part of the slide, but many stocks still appear oversold.

Let's take a look at one unloved Canadian giant that could deliver big gains on a recovery.

### Suncor

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) fell from \$40 per share to \$15 in a matter of weeks. At the time of writing, the stock is enjoying a surge and trades at \$22. The [dividend](#) offers a yield of 8.25%.

The Canadian energy sector faced difficulties even before the coronavirus outbreak cut global oil demand by 25%. Amidst the economic challenges, major producers are now waging a nasty price war. Saudi Arabia and Russia abandoned their agreement to curtail output and the two countries are producing more in an already over-saturated market.

Part of the strategy is to put American shale producers out of business. Canadian producers are being hit as collateral damage.

Saudi Arabia has very low production costs compared to most of the industry. If significant global supply goes offline due to business closures, prices could soar on an economic rebound.

Suncor is Canada's largest integrated energy company. The oilsands and offshore oil production operations are best known and will take a hit from the drop in oil prices. Suncor also operates four large refineries and roughly 1,500 Petro-Canada retail locations.

The refineries benefit from low input costs when oil prices plunge. Demand for their finished products,

however, is going to fall in the near term. Suncor produces jet fuel, gasoline, diesel oil, and asphalt.

The company recently cut its capital program to adjust to the downturn. The balance sheet remains in decent shape and it wouldn't be a surprise to see Suncor go shopping in the current environment. Adding assets at heavily discounted prices can boost production and significantly enhance revenue and profits when the market recovers.

## Upside

Alberta is investing US\$1.1 billion to ensure the Keystone XL pipeline gets completed, enabling Suncor and other companies with booked space on the pipeline to get product to the United States. TransMountain could also go into service in the next few years.

The battle between Saudi Arabia and Russia can't go on indefinitely. The two countries need higher oil prices to stabilize their economies. Oil at US\$20 per barrel is simply not sustainable over the long haul. A new agreement to curtail output could provide quick relief.

In addition, aggressive government stimulus programs might supercharge the global economy and result in a rerun of what occurred after the financial crisis. Oil prices surged to US\$100 in 2014.

## Should you buy Suncor now?

Expect more volatility in the coming weeks or months. The Q2 2020 results, in particular, will likely be ugly. However, the upside potential on a recovery probably merits a contrarian investment in Suncor at the current stock price.

If the economic bounce comes as quickly as some pundits predict, Suncor's share price could double by the end of 2020.

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