



## Suncor's (TSX:SU) Stock Price Jumped by 18%: Here's Why

### Description

It has been a tough go for oil and gas investors. Between COVID-19 mitigation efforts and the war on the price of oil, the industry is trading near record lows. It was therefore a welcomed reprieve to see a double-digit rebound. Leading the way, **Suncor** ([TSX:SU](#))([NYSE:SU](#)) stock jumped by more than 18.40% on Tuesday.

Although it was a nice change of pace, nothing has changed fundamentally. COVID-19 continues to wreak havoc in North America, and mitigation efforts are becoming more stringent. This has crippled demand. Likewise, while the S&P/TSX Oil & Gas Index shot up by 10.29% on Tuesday, the price of oil remains near decades' low.

As of writing, the price benchmark West Texas Intermediate (WTI) is down another percentage point. It is currently trading at \$20.28 barre, an 18-year low. In the same vein, despite jumping 19% yesterday, the price of Western Canadian Select (WCS) is still severely discounted at \$5.08 per barrel.

At these prices, Suncor stock does not make for an attractive investment. So, why did it lead the sector rebound yesterday?

### A meeting between two presidents

There were two positive events that took place yesterday. The first, was news that the U.S. president and his Russian counterpart met to discuss, among other things, the price of oil. This is noteworthy, as it marked the first time in weeks that country leaders met to discuss low oil prices.

Post-meeting, Donald Trump indicated that Vladimir Putin "agreed on the importance of stability in global energy markets." Unfortunately, there is little in the way of a resolution here. Don't get me wrong, opening the lines of communication is a good first step. However, we are nowhere near a resolution.

To make matters worse, demand has cratered. Even with an end to the price war, it is likely the price of oil will remain pressured. Given this, it is likely that Suncor's stock price will also remain depressed.

## Keystone pipeline

In my opinion, the more notable news of the day came from **TC Energy** ([TSX:TRP](#))(NYSE:TRP). One of Canada's leading pipeline operators is finally proceeding with the long-delayed Keystone XL Pipeline.

As the industry is dealing with massive cuts to capital expenditures, the news has come at the perfect time. The Government of Alberta is backing the project with \$1.1 billion and will guarantee \$4.2 billion in debt.

TC Energy expects the project to cost approximately \$8 billion and will enter operation in 2023. Canada has been longing for a new pipeline to help ease the current capacity constraint. Once operational, Keystone XL will ship 830,000 barrels of oil day.

Although there is reason to be optimistic, we are still three years away from realizing the benefit. Until such time, WCS will continue to trade at a discount to WTI.

## Suncor stock is best in class

On Tuesday, Suncor's stock surge was the largest single-day jump in company history. The company's performance was almost double that of the industry average.

At its low, Suncor's stock price traded at a more than 60% discount from its yearly high. It has since gained 36% but is still trading at a 47% discount to where it was only three short months ago.

Suncor is [an industry leader](#). This means it is likely to lead the way whenever the industry rebounds. As we saw this past week, it one of the best oil and gas stocks to own.

Unfortunately, the events that led to Suncor's sudden price surge have no immediate effect on the company's fundamentals. Given this, the rally is [unlikely to be sustainable](#), unless the price of oil rebounds in a material way.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

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3. TSX:SU (Suncor Energy Inc.)
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