Saudi Arabia Bought This TSX Energy Stock

Description

Now that the March COVID-19 market crash is more or less finished, Canadian investors may be interested in purchasing **Suncor Energy** (TSX:SU)(NYSE:SU) stock. Now is a good time to buy stock in the right energy companies on the **Toronto Stock Exchange**. The only drawback is the geopolitical volatility in this industry, making these **TSX** energy stocks highly risky for passive portfolios.

Suncor Energy suffered a large decrease in market value from the oil price war between Saudi Arabia and Russia. The price of Suncor energy stock is down 42.86% in the past 12 months. By comparison, the **S&P/TSX Composite Index** level percent change is -5.45%.

If you can afford some risk in your portfolio, now is a good time to buy Suncor. This **TSX** energy stock is substantially underperforming the S&P/TSX Composite Index. Nonetheless, the oil price rebound should ameliorate the gap in performance between the S&P and Suncor stock.

Saudi Arabia bought this TSX energy stock

Saudi Arabia's sovereign wealth fund recently purchased Suncor stock. The decision is fascinating given that **Saudi Aramco** is one of Canada's biggest oil competitors. Saudi Arabia can produce oil at a far lower cost than North American firms.

Saudi Arabia must be bullish on North American oil. Granted, Saudi Arabia is a cooperative competitor of Canada's energy sector. In some circumstances, lower production and higher prices along with carefully crafted international trade agreements benefit Saudi Arabia and North American oil producers.

Thus, it also makes sense that Saudi Arabia would want to purchase stock in Suncor. What's good for Suncor is already (more or less) good for Saudi Arabia.

Saudi Arabia is a powerful player with access to data crucial for solid decision-making. The key takeaway from the news of the recent Saudi investment is that Suncor's stock price is rebounding. Savvy active investors should consider purchasing Suncor stock and profiting from the upward momentum.

Downstream margins stable despite low prices

Oil price volatility will have a hard time breaking Suncor. As Mat Litalien points out in his March article, Suncor is one of Canada's largest and most diversified TSX energy firms.

Suncor's combination of upstream, midstream and downstream operations well situates the company to persevere in the oil sector. No matter what the price of oil, Suncor can come out ahead.

Upstream operations include finding and extracting the raw oil and natural gas, and then midstream businesses process and market the oil. Finally, downstream activities convert the oil and gas into the final product.

In addition, Suncor subsidiaries sell oil directly to consumers through a network of 2,000 gas stations and wholesale locations. Revenue from other products provides stability during times of drastic changes in the price of oil.

Suncor cuts dividend by 55%

In response to oil price volatility and decreases in demand resulting from Covid-19, Suncor cut its dividend by 55% from $0.465 to $0.21. After the dividend reduction, the annual yield is still a decent 3.56%.

Nonetheless, income investors tend to sell stocks in reaction to unreliable dividend payments. The drastic cut is certain to alienate some shareholders.

On the bright side, at least Suncor has the wiggle room to compensate for the recent oil price volatility. For these reasons, the company is still in a strong financial position.

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