



Suncor Stock Plummets 5%, But Should You Buy?

Description

Last week was a mixed one for energy investors. Oil had a seesaw of a week, as OPEC+ wrangled with production targets amid a dismal outlook for the black gold. The rally was significant. Crude oil was up 2%, while Brent crude was up 2.6%, proving that production cuts were still potent drivers of per barrel prices in 2020. It was a dramatic rally that came amid grim signals for the remainder of oil's 2020 outlook.

But then the potential return of Libyan crude production threw a spanner in the works. This week got off to a dour start, as oil prices tumbled yet again. So, should investors bet on this space right now? Perhaps not. Though what investors can do is build positions in blue-chip names on weakness. Going long on energy will allow TSX investors to stay diversified while avoiding near-term froth.

An exemplary stock in an ailing field?

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is one of those stocks that pundits love to bash. And to be fair, there are reasons to stick the knife in. Its performance on the markets has been lacklustre in the last 10 years. It carries a lot of debt — perhaps too much debt for the ultra-low-risk investor. Relatedly, its dividend might not look as secure as some of the aristocrat income names on the TSX.

But Suncor could have 70% upside. This might come as a surprise to investors expecting the green revolution to dominate the energy scene overnight. But the fact is that hydrocarbon fuels are still [big business in Canada](#). With a recession to navigate and a redrawn international trade landscape, oil and gas are likely to mainstays of the energy sector for a few years yet.

There's also the transition from a hydrocarbon market to renewables to consider. Big names such as Suncor are likely to be at the forefront of a drive towards zero or even negative carbon. Other precedents in this area have been set, with major energy producers already diversifying into green energy. With its [eye on future sustainability](#), Suncor also has some involvement with wind power, for instance.

A value stock to build and hold

Down 5% in a dismal first day of the trading week, Suncor might not look like a shining example of a buy-and-hold investment. But investors should look at low valuations and see opportunities. Growth investing is likely to give way to value investing, as North America digs in for a chilly recession. As such, those low multiples are beginning to look tempting. Now selling at 25% below book price, Suncor fits the bill.

Suncor Energy stock has been taking a battering as oil prices seesaw. But is this name one to buy for a long-term portfolio? Pundits and funds alike have been steering clear of this space — and there are good reasons to do so. However, Suncor is a large-cap name in a major Canadian industry. Between an emphasis on economic strengths and the transition into renewables, a long-term thesis for Suncor is compelling.

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2. Energy Stocks
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