



## Suncor (TSX:SU) Stock Price: Headed Higher in October?

### Description

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) stock is controversial. Many wonder if big oil is a dying market. Others are looking at how cheap shares are right now, arguing that the valuation is too attractive to pass up.

To be fair, shares are now priced at a 16-year low, with the dividend yield above 5%. Historically, the stock is a bargain, but there's more to this story than the current share price.

Let's find out whether Suncor stock will be on the rise in the near future.

### Unprecedented conditions

Last week, **BP** shocked the market with its latest energy forecast report. It essentially called an end to oil's century-long dominance in the energy market. That's scary news for stocks like Suncor.

"In two scenarios, demand never recovers beyond pre-pandemic levels. This would mean we've already reached peak oil consumption," I [wrote](#) after reviewing the report. "In BP's third scenario, demand recovers once the pandemic passes, but then flatlines over the next 20 years before entering a permanent decline."

"The scale and pace of this decline is driven by the increasing efficiency and electrification of road transportation," the report [concluded](#). That means renewable energy has finally reached a tipping point where it can eat into oil demand at scale, forcing a meaningful change onto the global energy landscape.

The rise of renewable energy has long posed an existential threat to oil producers like Suncor, but we're finally realizing a step change in the pace of adoption. Over the last five years, investment in renewable energy totaled \$1.5 trillion. Over the next five years, that sum will more than triple to \$5 trillion, growing even larger as time goes on.

So far, the market isn't oblivious to this long-term headwind. Combined with lower oil prices due to the COVID-19 pandemic, oil stocks have been battered like never before. Is there a chance that the

downturn has gone too far, making Suncor an intriguing contrarian pick?

## Bet on Suncor stock?

Suncor's stock price will live or die based on the long-term price of oil, which is largely determined by supply and demand.

On the supply side, the picture is bleak. New technologies continue to drive down the price of production, making more and more fields economically viable. Even after oil plunged in value at the start of the pandemic, most production continue unfazed. This means there's plenty of supply at current prices.

The demand side is still undetermined. If BP's report is to be believed, long-term demand just entered a multi-decade decline. The fall won't be perfectly uniform, but it's a difficult challenge nonetheless. Ample low-cost supply with pressured demand isn't a recipe for higher commodity prices.

The worst part is that Suncor has exposure to high-cost projects, specifically those related to oil sands. This means the company's breakeven could be US\$45 per barrel or higher.

You don't want to own Suncor stock in October, because you don't want to own this stock *ever*. It simply doesn't control the keys to its future. But there are a few stocks that we think are primed to rise soon.

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