



## Sell Alert: Will Suncor (TSX:SU) Stock Move Lower by the End of 2020?

### Description

The second wave of the COVID-19 pandemic is back and promises to get worse, as the world heads into the winter season. This could mean a repeat of the global lockdown around the world, which will also result in lower demand for oil and gasoline.

Ibrahim Al-Buainain, president and CEO of Aramco Trading, told [Gulf Intelligence in an interview](#) on October 28 that the OPEC+ group and its Russia-led partners are not comfortable easing oil production cuts. He said that oil demand doesn't support an increase in oil supply in January 2021.

Bernard Looney, CEO, **BP**, during the 2020 India Energy Forum, said that the second wave of the pandemic has hit oil demand harder than what was previously estimated, and there will be an impact in the medium to long term.

### Suncor's Q3 results

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) reported its results for the third quarter of 2020 on October 28. Its funds from operations came in at \$1.16 billion, up from \$488 million in the second quarter of 2020. The company also reduced its losses to \$302 million from \$1.49 billion in the second quarter of 2020.

Upstream production fell to 616,200 boe/d during the third quarter of 2020 from 762,300 boe/d in the same period in 2019. Synthetic crude oil production decreased to 410,800 bbls/d from 479,300 bbls/d in 2019.

"We are disappointed with our recent operational performance so we are strengthening our focus on the company's commitment to reliability," said Mark Little, Suncor's president and CEO.

While Suncor is an oil producer, it is also has a diversified [base of assets](#) in the refining and marketing side of the business. Its downstream operations will help to offset part of the decline in oil prices in the near term, and this leverage makes it one of the safer energy stocks right now.

## What's next?

Suncor says it's on track to meet to achieve its operating cost-reduction target of \$1 billion and \$1.9 billion in capital cost reductions by the end of 2020.

Its shares have lost almost 64% this year. It's no secret that Suncor's stock price is massively trading below book value. It fell over 5% on October 28 and is currently trading at \$15. Analysts estimate a target of \$27.54 in a year's time. That indicates upside of 80%. Suncor stock also has a handsome forward dividend yield of 5.6%.

However, I believe that Suncor will continue to trade at similar levels until there is clarity on oil demand around the globe. Oil doomsayers say that this could be the best for oil; however, I don't see emerging economies like China and India doing away with their dependence on oil. In fact, China is the only country in the world where oil demand is almost back to pre-crisis levels. India is slowly opening up as well, and this will stabilize oil prices as we inch closer to the end of 2020.

Suncor's market cap is just short of \$23 billion, and it would be a mistake to write off the large-cap heavyweight. I believe this is a great stock for investors who are patient and have a time horizon of 18 months. They might just see their wealth grow two-fold.

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