



Suncor (TSX:SU) Stock: Will Shares Recover Before 2021?

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) stock is a roller coaster. Since the year began, shares are down by nearly two-thirds. The destruction in value has truly been rapid.

But this company wasn't invented yesterday. It has a multi-decade history. That's why many investors are betting on a rebound.

It's not hard to see how Suncor stock could spike before 2021. Oil prices are the main factor here. If the market even sniffs a tightening in oil markets, energy stocks could soar.

How likely is this scenario? The answer will [surprise](#) you.

Oil is a mess

Before we estimate how much Suncor stock can rise, it's critical to understand why shares fell in the first place.

If you're an oil producer, you live or die based on the market price of oil. It's as simple as that. When oil prices rise, your revenue surges, as does the value of your reserves. When oil prices fall, the opposite happens. The stock prices of fossil fuel producers typically track these ups and downs.

So, if Suncor stock fell 65% this year, what do you think happened to the price of oil? As you'd expect, the value of oil dipped from US\$60 per barrel to US\$40 per barrel this year. Nearly every oil producer was impacted.

Why did oil fall? It's the same old story of supply and demand.

Demand cratered in the wake of the coronavirus pandemic, pushing prices way down. Meanwhile, the cost of producing a barrel of oil has plummeted over the last decade and half, meaning supply keeps pumping even if prices collapse.

There's only one way out of this mess for Suncor. Either supply needs to shrink or demand needs to spike. These are the secrets to success for the stock to spike before 2021.

Will Suncor stock spike?

Let's start with the supply side of the equation. As mentioned, production costs have been falling for more than a decade. That's pushed volumes higher and higher, particularly in North America.

There's no reason to believe this trend will end anytime soon. Technology continues to improve, and there are still plenty of low-cost reserves to tap, at least over the next few years. And now, more than ever, producers are focusing their efforts on these low-cost plays.

So, don't expect Suncor stock to rise due to shrinking supply.

But what about demand? Again, that's a scary story.

Across the globe, especially in high-consumption regions, coronavirus cases are ticking higher and higher. Further surges are expected this winter. This impact should keep oil demand artificially low.

Actually, there may be nothing artificial about it. **BP** recently released a [report](#) that believes oil demand *already* peaked globally. That means demand will never reach 2019 levels again!

To be sure, Suncor will still survive, as fossil fuel demand will continue for decades to come. But if demand is on a permanent downtrend, and supply issues persist unabated, there's simply not much hope for fossil fuel stocks, especially in 2020.

If you think Suncor stock will rebound this year, you'll need something major to change.

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