



## Suncor (TSX:SU) Stock: Get Ready for This Shock

### Description

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) stock was crushed this year. Year to date, shares are down roughly 60%. That's an extraordinary destruction of value in fewer than 12 months.

The chief cause was the coronavirus, which sent oil prices lower from US\$60 per barrel to just US\$40.

As a major oil producer, Suncor was hit hard. But right now, many investors think shares are a bargain. One of the best-run, most diversified energy companies on the planet is trading at multi-year lows. This could be a rare buying opportunity.

If you own stock in the company, or are invested in another fossil fuel producer, pay close attention.

### This will be a shock

Oil is a pure commodity. That means prices are dictated by supply and demand. In 2020, we got the biggest hit to demand in decades. Previous recessions pushed oil demand lower, but the sharpness of the coronavirus correction was unprecedented.

"Global oil demand is being destroyed as the coronavirus forces people around the world to remain indoors and avoid all unnecessary travel," *Bloomberg* [reported](#) in April. "The ramifications for the oil market are huge, with refiners, producers and even petrostates all facing uncertain futures."

Once the impact became clear, US\$40-per-barrel oil made plenty of sense. Because Suncor's profits are directly tied to the price of oil, the stock's demise made similar sense.

Supply is showing no indication that it will balance lower demand. In fact, technology has pushed production prices so low that supply is still *growing* across many parts of the world. That's a recipe for disaster if you're a company that needs higher pricing.

Here's the worst part: it's happening again.

“The U.K., France and Germany were among the countries that imposed stay-at-home orders over the weekend as new COVID-19 case counts remained near all-time highs. The new measures are expected to last for at least a month,” [reported](#) Fox News. “Global lockdowns announced earlier this year reduced oil demand by about 30 million barrels per day, driving WTI crude below zero for the first time. Declining demand is expected at a time when the market is likely to get hit with a new wave of supply as Libyan production gets back up to normal.”

Suncor stock needs higher oil prices to rebound. Supply isn't receding, and new lockdowns may keep demand suppressed for another year.

If you're invested in fossil fuel stocks, don't expect a recovery anytime soon.

## Can Suncor survive?

Last week, I [asked](#) a basic question: Will Suncor shares eventually sink to \$0? The answer surprised me.

As an integrated oil producer, Suncor is better positioned than most of its competitors. It owns assets like pipelines and refineries that can maintain profitability amid falling oil prices.

But no matter how diversified the company is, it can't escape dwindling demand. No matter how you slice it, the business still sells a pure commodity.

In the end, access to capital will allow Suncor to slumber on, perhaps for another decade or more. But make no mistake: this is a zombie stock.

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