



The New COVID-19 Surge Will Crush Suncor (TSX:SU) Stock

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) stock was crushed when the COVID-19 pandemic began. Shares are 63% lower on the year.

Unfortunately, things *could* get worse. The same force that sent oil demand tumbling in March is set to keep demand lower for another 12 months. At worst, demand could continue to fall.

If you own Suncor stock or invest in the fossil fuel industry, pay close attention to this recent news.

This news is bad

The COVID-19 crises created an unprecedented drop in oil demand. It basically fell off a cliff. This was something no one anticipated. From the start, some analysts worried that demand would *never* recover.

“An energy outlook report published by **BP** suggests oil demand may never return to its 2019 peak and could halve over the next three decades,” [reported](#) *BI*. “The oil market has failed to fully rebound through the coronavirus crisis as weakened travel activity slams consumption.”

Over the last few months, demand has slowly recovered, but if you look at Suncor’s stock price, no recovery in sight. What’s the problem?

The first issue is supply. Take a look at the pitch decks of major oil producers from around the world. All of them brag about being able to keep pumping at lower and lower prices. That’s a good thing for an individual company, but if everyone does it, industry supply remains over-elevated compared to depressed demand.

Suncor is a good example. Its refinery and pipeline businesses help offset the pain of lower oil prices. This allows it to keep producing even as prices slide. That simply contributes to the problem at hand.

Supply is showing no signs of tightening. The only saving grace will be higher demand. Recent events throw cold water on that possibility.

“Oil demand may drop by hundreds of thousands of barrels per day from lockdowns called in recent days in Western Europe including Germany, France, and England,” [reports](#) *S&P Global*. “Oil analysts are rethinking demand estimates with a view toward live traffic data and mobility restrictions because of the new lockdowns.”

Will Suncor stock survive?

Right now, the question isn't whether fossil fuel stocks will rebound in value — a possibility that won't be a reality for at least another year. The biggest question is whether these companies can survive at all.

For Suncor, the future is [mixed](#).

As mentioned, its pipeline and refinery segments insulate the business from oil price volatility. But there's no arguing that the company will live or die based on long-term pricing. As the coronavirus proved, that's far outside the company's control.

Fossil fuel producers like Suncor are simply on the wrong side of the curve. Demand is depressed over the short term, while long-term tailwinds are weak. Plus, low-cost production continues unabated.

Suncor has the scale to maintain adequate funding throughout the current cycle. Given its access to capital, bankruptcy is far off the table for now. However, it's clear the clock is ticking.

Fossil fuel stocks will move up and down this decade, but the overall trend should be lower.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus
2. Energy Stocks
3. Investing

Date

2025/08/26

Date Created

2020/11/07

Author

rvanzo

default watermark

default watermark