



## Suncor Stock Is Soaring: Time to Buy?

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is finally moving higher after a major crash in 2020. Is this the right time to put Suncor stock on your [buy list](#)?

### Vaccine impact on Suncor stock

COVID-19 vaccine developments drove oil prices higher in recent weeks, as three top vaccine producers released encouraging results in the trials. The impact is a market shift toward energy stocks, driven by anticipated increases in fuel demand once the pandemic ends. That bodes well for Suncor.

The company is best known for its oil sands operations. Suncor also owns four large refineries and roughly 1,500 Petro-Canada retail locations.

The integrated nature of the business normally provides a decent hedge against falling oil prices. In the case of the pandemic, however, oil prices plunged due to a crash in demand rather than as a result of supply issues.

Low oil prices hurt Suncor's upstream or production business. On the downstream assets, travel restrictions have cut airline capacity by 90%, hitting the refineries that make jet fuel. Work-from-home orders add to the pain, as commuters are not buying as much gasoline. In effect, the pandemic is a worst-case scenario for Suncor.

The company realized the magnitude of the risks early on and cut the dividend by 55% to preserve cash.

### Near-term outlook for the oil market

The coronavirus initially forced countries to shut their borders and lock down their economies. The early measures implemented in March and April proved effective, and the energy market bounced back in May. At one point in April, oil futures went negative amid fears the globe would run out of storage

space. That didn't happen, and WTI oil was back at US\$40 in early June.

Oil prices remained relatively stable through the summer before dipping a bit in September and October. Now that the U.S. election is over and vaccines look promising, WTI oil is up to US\$43 per barrel. Part of the optimism is also connected to hopes that OPEC+ will extend supply cuts.

Is the market too optimistic?

The second COVID wave that is currently spreading across most developed economies will delay the energy rebound. In its November [oil market report](#), the International Energy Agency (IEA) recently lowered its demand outlook for the next few months due to the COVID surge. However, the IEA also thinks overall oil demand in 2021 will be better than forecasted in the October oil report.

The stock market appears to be looking beyond the first part of next year and is betting on the recovery in the second half of 2021.

## Should you buy Suncor stock now?

Suncor stock started the year above \$40 per share. The share price was as low as \$15 in recent weeks and is now back to \$21.50 at the time of writing.

The recent gains in oil prices could continue, especially if OPEC and Russia announce plans to maintain their supply cuts until the end of Q1 next year. If OPEC+ decides to boost supply, oil would likely give up some of the recent gains.

As such, volatility is expected, but the outlook beyond the first half of next year should be positive for Suncor's businesses. The current [dividend](#) offers a 3.9% yield, so you get paid well to ride out the turbulence.

If you are an oil bull, it might make sense to add Suncor to the portfolio at this level. Downside should be limited at this point and the stock could potentially run to \$30 in the next 12 months.

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aswalker

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