



Suncor Stock: Time to Buy the Dip?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is giving back some of the recent gains. Investors who missed the surge are wondering if this is the right time to add Suncor stock to their [value](#) portfolios.

Vaccine news and Suncor stock

Suncor stock trades near \$20 per share at the time of writing. The stock started the year above \$40 and went as low as \$15 in late October. Investors who stepped in at that point are already sitting on decent gains, although the stock is now down about \$3 from the recent high.

What's going on?

The latest rally to \$23 came amid a wave of positive COVID vaccine news. Several top drug companies released trial results in the past few weeks. All showed their vaccines to be very effective. The U.K. just gave one of the leading vaccines the required [approval](#). This should be the start of approvals for distribution in the United States, continental Europe, Canada, and other major developed economic regions.

The price of West Texas Intermediate (WTI) oil rallied from US\$36 per barrel to US\$45 through the month of November on the results. Traders hope that fuel demand will increase as [airlines](#) see capacity increase and office workers get back on the highways.

Suncor is a large oil producer, but it also has refineries and gas stations. The increase in the price of oil helps boost margins for the upstream operations. A recovery in fuel demand will help the downstream business units rebound, as well. All this bodes well for the share price of Suncor stock.

Oil price outlook

The oil market can be volatile. Vaccine news provided the recent tailwind and that should continue to offer support for higher demand. However, supply also plays a factor. Last spring the futures market

briefly went negative amid fears the would run out of oil storage capacity.

That didn't happen due to massive supply cuts from OPEC and Russia, as well as producers in other regions. Now that WTI oil is back in the US\$45 range and Brent crude oil trades near US\$48 per barrel, OPEC+ has to decide whether it will maintain supply restrictions or start to feed more oil to the market.

The group is supposed to make an announcement soon. A decision to extend cuts through the first half of next year could push oil above US\$50 and drive Suncor's stock price higher. Conversely, a move to increase supply in January might send oil back below the US\$40 mark. The International Energy Agency (IEA) sees a slow recovery to US\$50. Analysts that are more bullish predict oil could hit US\$60 per barrel in 2021.

It will take time for COVID vaccines to be widely distributed. Until that happens, the current second wave of the pandemic threatens to keep oil demand under pressure.

Is Suncor stock a good buy now?

Oil bulls might want to start nibbling at the current level. The downside risk should be limited at this point and any surprise surge in the price of oil in the next few months could easily send Suncor stock back towards \$30.

Beyond next year, there is a chance the oil market might see a supply squeeze. Producers slashed billions of dollars of planned investment due to the pandemic and that could result in delays to new supplies coming on line in the next five years.

Some analysts believe that a surge to US\$100 per barrel might occur as a result.

Suncor's current dividend provides a 4% yield, so you get paid well to wait for the rebound. If you are an oil bull and have some cash available, Suncor stock might be an interesting value pick today.

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