



Suncor Stock: Should You Buy Now or Wait?

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) is up 50% in the past six weeks but still trades way below the 12-month high. Investors who missed the recent bounce are wondering if Suncor stock is still oversold.

Oil demand outlook

Suncor is a major oil sands producer. The company also owns offshore oil production assets.

On the downstream side, Suncor operates four refineries and has roughly 1,500 retail locations under the Petro-Canada brand. The integrated nature of the business historically served Suncor well. When oil prices fell due to oversupply, the refineries benefitted from lower crude feedstock prices. Depending on the market conditions, this often led to strong margins on the finished products, including jet fuel, gasoline, and diesel fuel.

The pandemic, however, hammered fuel demand and put all of Suncor's business units in trouble.

Vaccine news provided a huge boost to oil prices in recent weeks. WTI oil soared from US\$36 per barrel at the end of October to current price around US\$47. Brent oil is back above US\$50. That's above most analyst targets for 2020 and meets the U.S. Energy Information Administration's [average expected oil price](#) for 2021.

The International Energy Agency (IEA) just came out with its latest [2021 oil demand outlook](#). The IEA says oil demand in the near term looks weaker than previously anticipated due to the second COVID wave and new lockdowns in Europe.

Jet fuel demand will remain under pressure through 2021, as [airlines](#) continue to struggle, but the IEA sees gasoline and diesel fuel demand returning to 97-99% of 2019 levels by the end of next year. That bodes well for Suncor's downstream operations.

Oil supply impact on Suncor stock

Oil sands producers received some rare positive reviews in recent weeks. Analysts like the reliability of the long-term supply and low production costs. Pundits increasingly say the U.S. shale boom is over. This should benefit Canadian producers.

OPEC+ recently agreed to extend supply cuts. That should help put a floor under oil prices in the first half of 2021. Over the next five to 10 years, some analysts see a tight market. Global producers slashed exploration investments in 2020. This could lead to a supply crunch in the coming years if oil demand rebounds faster than anticipated.

In the event oil surges above US\$80 per barrel, as some people predict, Suncor's stock price could easily double from current levels.

Is Suncor stock a good buy today?

The stock fell from \$45 in January to a low around \$15 in March. It retested that level in late October, after a run to \$28 in early June. At the time of writing, Suncor stock trades near \$23 per share.

The medium-term prospects for the stock look good, but I would wait for the next pullback. Oil prices might have moved too far too quickly given the current market conditions. At the same time, the broader stock market appears overbought. In the event we get a meaningful market correction in the coming weeks, Suncor would likely give back a good chunk of the Q4 gains.

Oil bulls might want to start nibbling in case the rally continues through the first part of 2021, but I wouldn't back up the truck right now. A better entry point could be on the way for Suncor stock investors before the next surge.

CATEGORY

1. Energy Stocks
2. 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. Energy Stocks
2. Investing

Date

2025/08/27

Date Created

2020/12/15

Author

aswalker

default watermark

default watermark