



## Why Suncor Stock Could Double in 2021

### Description

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) took a beating in 2020, as fuel demand cratered and oil prices plunged. A rebound in Suncor's stock price in recent weeks has investor wondering how far the rally could go in 2021.

### Oil price surge

WTI oil trades for more than US\$50 per barrel compared to US\$37 two months ago. The increase in crude prices caught many investors by surprise with fuel demand remaining weak. Positive vaccine news sparked the rally, as investors look forward to the day when lockdowns ease and governments lift restrictions on [air travel](#).

Near-term oil demand faces headwinds amid tighter lockdowns caused by the second COVID wave. Vaccines are rolling out more slowly than anticipated, likely extending the timeframe that governments could keep travel restrictions in place. This should be negative for the price of oil and Suncor stock in the first part of 2021. As such, we could see a pullback after the recent run.

However, the oil sector isn't just driven by demand. OPEC recently agreed to maintain production cuts. Saudi Arabia surprised the market by saying it will unilaterally reduce supplies by [one million barrels per day](#) in February and March. The announcement sent the price of oil to its highest level in 11 months. Suncor stock surged more than 12% in two days due to the news.

Saudi Arabia remains keen to keep oil prices elevated, so the outlook for Suncor's oil production operations looks better than it did just two months ago.

### Fuel demand impact on Suncor stock

Suncor is Canada's largest integrated energy company. The oil production business is the main component, but Suncor also operates four refineries and roughly 1,500 Petro-Canada retail locations. Airplanes remain grounded and commuters continue to work from home. That situation isn't likely to

change in the first half of the year in North America and Europe.

Despite the slow start, the International Energy Agency (IEA) expects global 2021 gasoline demand to hit 99% of 2019 levels, effectively recovering from the 2020 losses. That bodes well for Suncor's downstream businesses.

Again, the near-term impact of new lockdowns could hit Q1 results in the refining and marketing divisions, so the stock might see some volatility in the early part of the year.

## Could Suncor stock double in 2021?

Suncor trades near \$24 per share at the time of writing. That's a big jump from \$15 in November but still way off the \$45 mark it hit in January last year.

Oil prices should remain near current levels for the first part of 2020, but there is a chance the market could see tight supply conditions in the second half of the year. Saudi Arabia appears committed to keeping prices high, and the massive investment cuts that occurred last year mean new supply might not come online fast enough to accommodate a surge in demand.

Vaccine rollouts are off to a slow start, but many developed countries could have 50% of their population vaccinated by the end of June. In the event travel restrictions lift quickly and companies tell workers to get back to the office, oil could have a very strong second half in 2021. Bullish analysts see WTI going as high as US\$65 before the end of the year.

In that scenario, it wouldn't be a surprise to see Suncor's stock double off the \$21 mark where it began 2021.

## Should you buy Suncor stock now?

Oil bulls with a buy-and-hold strategy might want to start nibbling today. Those who think the recent surge is a bit overdone will want to wait for a pullback. I expect the stock to dip in the coming weeks, but a drop back below \$20 is unlikely.

At the current price, Suncor offers a 3.5% [dividend](#) yield, so you get paid a decent distribution to ride out any turbulence.

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aswalker

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