



## Could Oil Price Surge to \$100? Stocks to Buy

### Description

The oil price, specifically Brent Crude, has surged to US\$64. That's up 600% from April 2020, when a barrel of Brent crude was trading for just US\$9. Throughout the pandemic, this essential commodity has become more valuable. Now, experts are warning about a potential shortage that could boost the price much higher.

Here's what you need to know about the outlook for Canada's most lucrative export and the stocks you could buy to position yourself for this trend.

### \$100 oil price?

Oil prices are notoriously difficult to predict. There's simply too many factors to consider. From politics in the Middle East to weather patterns in North America, the price of a barrel is about as volatile as Bitcoin.

However, investors trying to understand the market must focus on two overarching factors: supply and demand. Back in 2015, the world was awash in supply. Nations in the Middle East and Russia were producing at record-levels. Meanwhile, shale gas production in America turned it into an energy exporter. The price crashed.

In 2020, we suffered a demand shock. With flights grounded and people's commute suspended, oil demand plummeted. A barrel was actually trading for negative value at the height of the crisis.

Now, we've lived through nearly a decade of low oil price and low demand. Producers have underinvested in extraction. Meanwhile, the vaccine rollout and reopening of the economy could unleash pent-up demand. As people travel and buy products at an accelerated rate, demand for energy could surge just as production struggles to keep up.

The result, according to experts including analysts at **JP Morgan**, is higher oil prices. In fact, the value of Brent Crude could exceed US\$100 within a year. That's 56% higher than today.

## Oil stocks to buy

[Warren Buffett's favourite oil stock](#), **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), is an obvious choice. Suncor stock has already spiked 70% from October, 2020. That's when the vaccine was announced. The stock is now trading at \$27 and offers an attractive 3% dividend yield.

2020 was a tough year for Suncor. Revenue dipped 36% as the oil price collapsed. Nevertheless, the company managed to generate \$3.9 billion in cash flow from operations. Now that the oil price is much higher, Suncor should be able to boost cash flow much higher.

Meanwhile, it's trading at 1.16 times book value per share. That's fair value for a company with bright prospects in the years ahead.

## Bottom line

The rebound in demand and shortfall in supply in 2021 could boost oil prices. Oil producers have spent years underinvesting in their sector. Meanwhile, the global reopening will unleash pent-up demand for nearly every consumer product and global travel.

This misalignment between demand and supply could send oil beyond US\$100 a barrel. That's excellent for Suncor's bottom line. Keep an eye on this emerging trend. Add some exposure to oil if you believe Canada could face a commodity boom and reflation in the near future.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:JPM (J.p. Morgan Structured Products B.v.)
2. NYSE:SU (Suncor Energy Inc.)
3. 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. Investing

### Date

2025/07/21

**Date Created**

2021/02/27

**Author**

vraisinghani

default watermark

default watermark