



Suncor Stock: Is 70% Upside on the Way?

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) trades near \$26 per share compared to the 2020 high above \$44. The share price picked up a nice tailwind in recent months and investors wonder how high Suncor stock might go in 2021 and beyond.

Oil price rebound

Brent oil, which is the international price, currently trades at US\$66 per barrel, compared to US\$36 in late October. West Texas Intermediate (WTI) trades at US\$63 per barrel. It also sold for US\$36 a little over four months ago. The spectacular recovery in oil prices caught most energy analysts off guard and many are now increasing their price targets for 2021.

The consensus for oil was an average price around US\$50 this year. That could eventually turn out to be the case if the market swoons in the coming months. However, the situation increasingly looks like oil is destined to move higher.

Pundits are now calling for a move to US\$75 per barrel at some point in 2021. Chatter around a potential surge to US\$100 in 2022 is now more common.

The rally comes on the heels of positive vaccine news and hopes for a faster recovery in the global economy. The U.S. government recently said all of the country's citizens could have access to a COVID-19 vaccine by the end of May. At the same time, the leading vaccines that require two doses appear to provide robust protection after the initial shot. As a result, Canada's National Advisory Committee on Immunization (NACI) now [recommends](#) giving more people the first shot and expanding the interval to the second dose to as long as four months.

The sooner that the world's largest economies reach herd immunity, the faster we could see restrictions lifted on [air travel](#). Business will also start moving staff back to offices, which bodes well for oil demand as fuel consumption should surge.

The International Energy Agency (IEA) reported in December that it expected global gasoline and

diesel fuel demand to effectively recover by the end of 2021. It's possible the world could top that mark.

OPEC+ impact on the price of oil

Supply is the other side of the equation. OPEC+ maintained commitments to reduce supply in recent months. Saudi Arabia even went beyond the agreement and unilaterally cut an additional one million barrels of supply per day for February and March. The group could start to ease up now that oil prices are comfortably back above US\$60 per barrel. If OPEC+ decides to open the taps again oil could give back a good chunk of the gains.

That said, reports indicate Saudi Arabia needs oil to average US\$80 per barrel to meet its domestic spending initiatives. It's possible the OPEC leader could decide to keep supply tight for several more months.

Is Suncor stock a good buy right now?

Suncor took a big hit last year. The company slashed the [dividend](#) by 55%, shelved share buybacks, and reduced capital expenditures to preserve cash as fuel demand dried up. Things got ugly very quickly and it will take time to fully recover.

However, oil currently trades higher than it did when Suncor stock sat above \$44 per share last year. If the global economy roars back to life on the back of a faster-than-expected rollout of COVID-19 vaccines, the company's refining and retail operations should rebound significantly.

The surge in the price of oil is already having a positive impact on the firm. Suncor just released an update saying it is cancelling \$2.8 billion of bi-lateral credit facilities, citing the improved market conditions.

Volatility should be expected, but the stage is set for Suncor to extend its recovery. A move back to \$44 by the end of the year would require oil to maintain or extend its gains. That's certainly possible.

If you think the market has underestimated the oil rebound, it might be a good idea to add Suncor stock to your portfolio.

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Author

aswalker

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