



## Suncor Energy (TSX:SU) Stock Could Easily Hit \$40

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock has been on a tear lately, rising 40% year to date. That's largely because of the rising price of oil, which has lifted most energy stocks along with it. As of this writing, WTI crude futures traded for \$65 a barrel — \$30 above what Suncor needs to break even. At these kinds of prices, Suncor virtually prints money. And the bullishness in oil shows no sign of abating. If these trends continue, then we could easily see SU hit its pre-COVID price of \$40. Here's why.

### Oil prices are rising

The [price of oil has been rising in 2021](#), with the following benchmarks up considerably for the year:

- WTI (\$65)
- Brent (\$69.5)
- Western Canadian select: \$54

At the bottom in the COVID-19 market crash, WTI prices were at one point negative. Later, they hovered around \$20. So, we've seen a pronounced and rapid recovery. And it could easily continue. A consensus is beginning to form that we are turning the corner on the COVID-19 pandemic. When that happens, travel levels will increase, leading to increased demand for the following:

- Gasoline
- Jet fuel
- Diesel
- And more

That's a bullish prospect for energy stocks. Of course, a supply increase — like the one Saudi Arabia caused last year — could easily kill oil prices, even with the demand side strengthening. But there's nothing like that on the horizon right now, so things are looking good for oil and gas stocks.

## The end of the pandemic is in sight

The big question mark hanging over the oil and gas industry right now is COVID-19.

Energy was one of the industries hit the hardest by the COVID-19 pandemic, along with airlines, hotels, and retailers. The initial lockdowns killed demand for travel, which resulted in a collapse in flights and long-distance driving. Oil prices collapsed, taking energy stocks down with them. This led to Suncor stock going as low as \$15.

Today, we're beginning to see signs that the end of the pandemic is in sight. Among other positive signs, we've seen

- Vaccines released by several major pharmaceutical companies;
- Four of these vaccines approved for use in Canada; and
- 5.11% of Canadians [vaccinated to date](#).

These are unambiguously positive signs. And with more of them accumulating, the mood is beginning to shift. Just recently *The Atlantic* ran a story called "The Pandemic is Ending," based on an interview with U.S. doctor Anthony Fauci. In it, the author outlined several reasons he believed that the COVID-19 pandemic could effectively be over by 2022. If the author's belief turns out to be true, then it will be smooth sailing for companies like Suncor.

## Suncor's quarterly losses are getting smaller

A final positive thing to note about Suncor is that its quarterly losses have been getting smaller and smaller. In the first quarter of 2020, Suncor lost a whopping \$3.52 billion. In the second quarter, it was down to \$614 million. In the third, it was \$12 million. In the fourth, it was \$168 million. Broadly, the magnitude of the loss has been declining. Now, with WTI and Canadian crude trending upward, Suncor may be on the verge of reporting its first profitable quarter since COVID began. If that happens, then you can expect the stock's rally to continue. Perhaps it could go all the way to \$40.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. TSX:SU (Suncor Energy Inc.)

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