



Today's Top Buy: Suncor

Description

For investors who are bullish on oil, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is a great way to play this commodity. The share price of this company has been soaring, surging over 35% year to date. Indeed, increasing commodity prices have boosted energy stocks across the entire sector.

This producer of synthetic crude is generating exceptional gains relative to the commodity itself as well as its peers. Here's why I like Suncor as a top pick right now for investors.

A bull market in commodities forming

Oil benchmarks have made a brisk recovery following the pandemic-induced market crash. Brent traded at around \$69, whereas Western Canadian Select Futures last traded at approximately \$55. Furthermore, WTI Crude Futures have traded at approximately \$65 per barrel lately, which is roughly about \$30 more than what Suncor requires to cover its expenses.

At such prices, Suncor Energy is likely to outperform. Moreover, as inflation expectations rise, the bullishness surrounding oil is not showing any sign of subsiding. Accordingly, it appears that if such trends persist, Suncor stock is likely to return to trading at pre-COVID levels.

If you believe, as I do, that a commodities bull market is underway, Suncor is perhaps the best way to gain leverage to this trade today.

Plenty of upside in the offing

The energy industry was one of the most impacted sectors besides airlines, hotels, and retail due to the pandemic. The government-mandated lockdown during the initial phases of this crisis put a stop to travel temporarily. As a result, flights were canceled, and there was no demand for long-distance travel by cars. This severely impacted oil demand, and with production holding steady, oil prices understandably plummeted.

However, things are certainly changing. Several major vaccines have been introduced by leading pharmaceutical companies, and mass vaccinations are underway. As the economy is set to reopen after the COVID-19 crisis, discretionary travel will likely make a full-fledged return. Accordingly, I see bullish demand for gasoline, diesel, jet fuel, etc. on the horizon alongside stable supply. Supply stability is likely to be driven by recent OPEC+ supply cuts that I expect will be extended for some time.

Bottom line

Given we're in what appears to be a very strong bull market in commodities, with an economy that's set to reopen, and positive supply and demand fundamentals in the oil sector, Suncor is a great place to be invested right now.

Indeed, this is a stock that has had a rough go in recent years. However, investors looking to take advantage of a growth-to-value rotation in stocks can't do much better than Suncor right now, in my view.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

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