



Why Suncor Energy Could Boom in April

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock is a great option for investors during bad times. Indeed, this company is a defensive gem. For those worried about volatility on the horizon, Suncor has actually been a pretty great (high-yield) place to hide in the past.

However, in good times such as these, this stock is also a winner. Indeed, any stock with the stamp of approval from Warren Buffett is worth a second look. Here's more on why I think this [top pick](#) could take off this month.

A growth to value rotation is underway

Suncor's business model screams "value" louder than most value stocks today. It's a pure play on commodities, and with energy prices soaring, its stock is seeing some pretty impressive appreciation of late.

As a key Canadian energy producer, Suncor's commodity exposure has been a headwind for this stock in the past. However, it appears a bull market in oil is taking form, and investors are looking for high-quality producers like Suncor right now. Oil prices are volatile, so it's understandable this stock is trading at the valuation it is. However, if value investors like the Oracle of Omaha are on board, it's a stock I'm going to consider.

Oil prices have become more stable of late. Indeed, I believe that over the medium term, the price of the commodity will stabilize somewhere near these levels. Extreme levels of monetary and fiscal stimulus have been two primary driving factors of this rush to commodities, in my view. Indeed, I find it difficult to imagine that the U.S. dollar value will appreciate in this sort of environment. Hence, it appears that commodities such as oil, priced in U.S. dollars, will continue to outperform.

Supply and demand fundamentals could improve over the medium term

Near-term concerns that the Suez Canal blockage could disrupt oil supply sent prices spiking higher last week. However, with that fiasco seemingly dealt with, investors have moved on, and oil prices continue to fluctuate regularly.

However, I'm of the belief that as demand increases coming out of the pandemic, oil could see strength over the medium term. That's because I don't see a massive influx of supply on the horizon. The recent carnage last year took a lot of highly leveraged supply off the market in the U.S. and Europe. Additionally, OPEC+ has an incentive to keep the price of oil high.

The stars are aligning right now for oil to continue to stay stable, or rise moderately over the medium term. For investors in companies like Suncor, that's a great thing. Suncor has a relatively low breakeven around \$35 WTI, so at these prices, it's a cash flow machine.

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Date

2025/08/23

Date Created

2021/04/01

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