



Top Pick for April 2021: Suncor Energy Stock

Description

The recent Suez Canal blockage and a high-profile OPEC+ meeting are just two of a number of events that have affected oil prices of late. Accordingly, companies like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) that are highly sensitive to the price of oil have also fluctuated greatly of late.

Despite some pretty big news-catching headlines of late, oil has actually performed quite well recently. When the Suez Canal blockage was removed, oil prices didn't plummet like many expected. Rather, this commodity traded within a relatively reasonable range both before and after.

Here's why oil's recent strength, along with Suncor's price sensitivity, is a [great thing](#) for SU shareholders.

Suez Canal blockage highlights sensitivity to oil prices

The amount of fluctuation Suncor has seen in its stock price in recent days is worth taking a look at. On an intra-day basis, Suncor fluctuates a lot more than some of the other names I follow daily.

Indeed, the past week has provided a combination of near-term factors that have made this so. Indeed, many investors are already aware of the Suez Canal blockage that resulted in supply issues impacting a number of sectors, including refineries. As energy traders become worried about the longer-term impacts a continued blockage would have, oil prices rose on the news.

Suncor stock, predictably, rose alongside oil.

However, when the Ever Given was finally "unstuck" this week, oil's downside was limited. It appears an upcoming OPEC+ meeting is expected to buoy oil, as producers announce continued production cuts moving forward.

In other words, Suncor's sensitivity to oil prices seems to be working in investors' favour right now. Oil has a tonne of momentum in this market, and investors aren't selling on bad news days. That's great news for long-term Suncor shareholders.

Bottom line

Suncor's sensitivity to oil prices has been both a good and bad thing in the past. Indeed, 2020 was not the year to be an energy investor, broadly speaking. Highly sensitive energy companies like Suncor significantly underperformed the market during the [pandemic-driven turmoil](#).

That said, this sensitivity is working in the other direction as well. Investors are buying Suncor shares like they're going out of style. That's not only based on the recovery in energy prices. The fundamentals of this company have improved significantly. It has taken measures to reduce the operating expenses, which has had a positive impact on this company's net earnings.

Indeed, Suncor Energy is generating a ton of cash flow right now. Moreover, this company provides investors with an incredible margin of safety, as its breakeven cost per barrel of oil is \$35 WTI.

For those bullish on a continued recovery in commodity prices, Suncor is a great pick right now.

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