



2 Reasons Why Suncor Stock Is Still a Buy Today

Description

Today, commodity prices continue to sustain some pretty positive momentum. Accordingly, there's increasing demand for pure-play energy stocks such as **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Indeed, with high leverage to underlying oil prices, this stock has been one of my [top picks](#) for quite some time.

Yes, oil prices got hit hard following the onset of the pandemic. However, what a difference a year makes! The revised economic outlook today is very bullish for energy stocks, and Suncor continues to do well in this environment. For those who believe this momentum is likely to continue over the medium-term, Suncor is a great pick.

Here are two reasons why I think this company is well-positioned to continue delivering impressive returns for shareholders.

The energy bull market has legs

Readers will know I've been bullish on a turnaround in energy stocks for the past couple quarters. Economic data suggests supply/demand fundamentals may finally be aligning in the right direction. Accordingly, stocks such as Suncor certainly provide excellent leverage to this trade.

I believe the U.S. dollar will continue to remain depressed for some time. Fundamentally, the sheer amount of stimulus that's being injected in the U.S. will make this so. This is broadly bullish for commodities such as oil.

Additionally, I'm bullish on the demand fundamentals for oil coming out of this pandemic. As the global supply glut continues to be chipped away at, energy prices should at least hold stable. That is, as long as energy supply doesn't take off.

OPEC+ supply decisions matter over the medium-term

This week, West Texas Intermediate (WTI) oil prices have seen a decline of roughly 2%, bringing WTI

below US\$60 a barrel, and some investors have grown concerned that rising oil supply could drive further negative momentum.

Indeed, last week's decision by OPEC+ to hike production this summer to meet growing demand is one the market doesn't seem to like right now. Yes, demand is likely to substantially increase this year. The move is understandable, and oil-producing countries certainly have an incentive to want to increase production right now.

However, oil prices have proven to be fickle in recent years. There continues to be a supply glut, and worries around said glut could arise if production growth exceeds demand growth this year.

That said, I'm bullish on the medium-term outlook for supply and demand in the energy sector right now. I think OPEC+ has an incentive to keep prices around where they are today, and will continue to do so.

Investors also need to keep their eye on the longer-term view with stocks like Suncor right now. The company breaks even at around US\$35 WTI, so there's still a massive margin of safety with this stock. The company's cash flows are continuing to pour in, and investors bullish on oil stabilizing at these levels have little to fear.

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chrismacdonald

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