Why Suncor Stock Could Have More Room to Run

Description

You already know that **Suncor Energy** (TSX:SU)(NYSE:SU) is one of my top picks in the energy sector. The fact that oil has significant momentum in the market right now has put this stock on many investors' radars (including mine).

Indeed, Suncor stock is highly exposed to oil and has been reaping the benefits of the commodity movement in the energy sector. Accordingly, investors who are bullish on oil prices can leverage this trade now.

Here's why I feel that it could be a fruitful bet for investors.

Is a surge in demand on the horizon?

Of late, oil prices have become somewhat stable. WTI and Brent crude are both trading above US$60 per barrel — a level I honestly didn't think we'd see this year, as of 12 months ago.

Indeed, there's reason to be optimistic in this regard.

Demand projections are broadly bullish coming out of this pandemic. Additionally, continued OPEC+ cuts have strengthened the argument on the supply side of the equation. While OPEC+ has discussed letting its production cuts gradually expire, the pervasive belief is that the demand surge we'll likely see will offset these increases over time.

Indeed, this sort of environment is extremely bullish for oil producers like Suncor.

I think this stability in oil is warranted and expect a much smoother commodity price environment this year.

Why?

Well, I think the broader economic picture looks a lot better today. As vaccine rollouts accelerate in the

U.S. and other countries, forward demand projections are likely solid today. Recently, American refiners have processed most crude oil since the pandemic outbreak to cater to the projected surge in flying and driving activities. As more upside materializes, I think the margin of safety has increased dramatically for stocks like Suncor right now.

Robust business model bullish for investors

Suncor's management team runs a tight ship.

Indeed, the company's core fundamentals and business model are enticing in this environment. Suncor's been able to cut costs and create efficiencies in recent years. This has positioned the company well to manage the downturn and come out the other side strong.

Currently, the company's breakeven cost per barrel of $35 is the key factor investors should consider right now. Cash flow growth should remain solid, particularly for those who believe in the fundamentals underpinning the rise in oil prices of late.

Suncor's dividend yield or nearly 3.2% is another attractive aspect to consider. Suncor isn't only a cash flow growth machine, it's also a long-term income play. For those bullish on oil, Suncor remains my top way to play this sector today.

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