



1 Top TSX Stock to Buy as the Bull Market in Oil Surges Forward

Description

Energy stocks haven't done that well during the pandemic. Indeed, an oil glut combined with a plunge in demand absolutely obliterated commodity prices.

But that was so 2020.

Today, oil prices are once again back at pre-pandemic levels. The surplus of oil that accumulated during the pandemic is nearly gone. And demand forecasts have become overly bullish.

For those who believe this bull market in oil has legs, here's why **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is an [excellent option](#).

Investors are growing bullish on oil, finally

It's been easy to be a bear on energy in recent years. Indeed, the supply and demand fundamentals of the sector got out of whack.

However, the stars finally seem to be aligning for energy players today. OPEC+ cuts have stabilized the oil market, and demand has slowly increased over time.

Yes, OPEC+ has announced it will be gradually removing these cuts over time. However, given where oil prices are today and how demand is expected to shape up in the coming quarters, I think the market can brush off these moves.

The U.S. dollar continues to be weak, strengthening all commodities. And inventories have finally shown the effects of higher demand, moving toward their five-year average of late. What's more, most of the oil glut caused by the pandemic is gone, with what's left being concentrated in China. For those bullish on Chinese growth, consider the macroeconomic fundamentals of oil back to normal.

Suncor Energy has stellar fundamentals

With this backdrop, it's easy to see why Suncor is a great pick today.

The company's been working on improving its fundamentals in a big way. Through technological enhancements and operational improvements, Suncor has been able to achieve a breakeven price per barrel around US\$35 WTI. Given where oil prices are today, Suncor is bringing in the cash flow — a lot of cash flow.

Accordingly, Suncor's management team is now planning share buybacks. I don't think such a move would happen without some sort of optimistic outlook for where oil prices will be over the medium term. Accordingly, I view this move as broadly bullish for those optimistic about energy prices over the long term.

Additionally, I think Suncor's current margins provide a relatively decent margin of safety right now. Oil could plunge 25%, and Suncor would still be okay. The fact is, investors made it through the pandemic relatively well by holding onto Suncor stock and buying along the way. Those with a truly long-term perspective on investing ought to consider holding this stock long term.

Furthermore, Suncor's dividend of 3.2% allows investors to be patient along the way.

In summary, Suncor is a pure-play energy stock with high exposure to oil prices. That's where I think investors want to be right now.

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