



Oil Is Rising Fast: How High Can Energy Prices Go?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) and the big oil industry have been under pressure of late.

Scratch that; investors in such stocks have been under immense pressure this past year.

With oil prices plunging into negative territory for the first time ever, investors got a glimpse of what a horror show energy stocks can be at points in the market. Indeed, Suncor slashed its dividend conservatively, despite having a balance sheet that was better than its peers. There was seemingly no hope for these stocks a year ago.

However, today, investors are more than willing to dive into these plays. As oil has surged toward the US\$70 WTI level, producers like Suncor are suddenly cash flow growth machines.

Can these oil prices be sustained?

Here's my take on why Suncor remains a [solid pick](#) today.

Oil price on a roll

As I'd predicted last year, the bull market in commodities prices has taken hold. For investors in energy stocks like Suncor, this is a beautiful thing.

In fact, oil prices have climbed to a one-year high last week. This came after a 20-minute OPEC+ (Organization of the Petroleum Exporting Countries and its ally countries) meeting, after which it announced that these countries plan to restore supply through July. Additionally, OPEC+ members expect a market recovery is on the way, with demand normalizing in the U.S. and China. Moreover, vaccine drives picking up the pace will further stabilize the market. Increasing demand and a reduction of the supply glut in the market are key factors that have driven this increase.

Accordingly, Brent has risen above US\$72 per barrel, with WTI breaking the US\$70 barrel for the first time in a long time. These oil prices are a godsend to companies like Suncor that rely on higher oil

prices for profitability.

According to analysts, oil barrel prices can go be sustained well beyond \$70 next year. If this is the case, Suncor and its peers stand to benefit in a big way.

Bottom line

Suncor has robust fundamentals right now, despite lowering production during the pandemic. The company has surpassed analyst expectations in recent quarters and is proving to be a very profitable play at these levels.

If analysts and economists are correct, and oil prices can be sustained at these levels for some time, investors stand to do very well with this stock. I expect the bull market in commodities to rage on for some time and agree with OPEC+ on this one.

Accordingly, investors may be well served by picking up some Suncor at these prices today.

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1. Energy Stocks
2. Investing

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