



Why Suncor Stock Could Be the Best Pick of the Summer

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) is regaining its momentum of late. Indeed, higher oil prices have led the charge in this regard. As a [pure-play on energy prices](#), the rise of Suncor stock of late is indicative of the current environment we find ourselves in today.

Will oil prices remain robust? Can the supply and demand fundamentals we're seeing driving oil prices to these levels continue? These are the key questions many investors have today.

As the second-largest oil producer in Canada, Suncor is likely to receive a lot of attention from Canadian investors in this regard. I think the company's on the right track right now in terms of its growth trajectory. And this is a stock that could be seriously undervalued if oil prices can remain at these levels.

Let's dive a bit more into why Suncor could be the best pick of the summer.

Oil demand recovery is likely to continue

Experts believe this recovery in oil prices is due to structural factors that are here to stay. I find it hard to disagree with the experts on this one.

According to the IEA, global oil demand will recover to pre-pandemic levels as soon as this coming year. Average daily consumption is projected to reach 100 million barrels per day worldwide as normalcy resumes. Accordingly, OPEC+ countries have already agreed to increase production to meet this growing demand. The fact that oil prices rose on this news indicates that the market believes the story the experts are telling.

With supply starting to come down, this projected demand spike becomes more potent. Currently, crude oil stockpiles in developed nations have fallen below 2015-2019 levels. Thus, an additional 1.4 million barrels of oil per day will likely be needed in order to get supply levels back to the market average. A total of 5.5 million barrels per day may be needed in a worst-case scenario.

Indeed, these supply and demand fundamentals are very bullish for the sector overall. Suncor's position as the pre-eminent Canadian energy play makes this stock highly leveraged to these catalysts. Accordingly, this is a stock I think investors will be watching closely.

The bottom line

Suncor's recent share price performance is indicative of increasingly bullish sentiment among energy investors today. I don't see that changing. In fact, I think there's a high probability oil price continue higher for some time.

Accordingly, as a medium- to long-term pick, Suncor looks like a great choice right now. This is a company with tremendous upside potential and limited downside risk presently.

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