



Suncor (TSX:SU) Stock: Up a Massive 27% in 2021

Description

The energy sector is enjoying a much-needed strong year in 2021 after the devastating losses for the industry throughout 2020. Most oil stocks have been putting up impressive figures this year, allowing many investors interested in the sector to find [value stocks](#) that can generate significant long-term returns for them.

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock is one of the best assets to consider if you are bullish on the Canadian oil patch. After a substantial run, Suncor stock is up by 27% on a year-to-date basis at writing.

Despite the rallying valuations, it seems that oil stocks could still present you with substantial upside in your portfolio considering the prices of oil performing far better at the same time than energy stocks.

West Texas Intermediate (WTI) crude oil prices are up by more than 50% on a year-to-date basis. If the surge in oil demand continues, oil stocks could be [looking at a greater upside](#).

Today I will discuss the difference in the commodity prices and the underperformance by energy stocks to help you make a more informed decision on whether to invest in Suncor stock and its peers.

Surging oil prices

Oil prices occasionally tend to go through volatile periods. The commodity's prices primarily depend on factors affecting supply and demand. Most economies worldwide were under lockdown throughout 2020, leading to a sudden drop in air travel demand and even domestic travel demand in motor vehicles.

The massive decline in oil demand resulted in oil prices going low. The high supply and insignificant demand led to oil prices even going into negative territory for a brief period for the first time in history. Producers naturally panicked, slashed production, and held off on any expansion plans for new facilities.

As global economies continue to reopen in 2021, travel demand is surging, leading to a higher demand for oil. Without a sufficient supply to cater to the pent-up demand for air travel, oil prices have started to go higher and higher.

Underperforming Suncor stock

Suncor stock is up by 27% on a year-to-date basis. Suncor stock and its peers have been outperforming the broader market. However, the strong run does not reflect the excellent performance for underlying commodity prices. One possible reason for the difference in performance for equity securities and the underlying commodity prices could be the fact that investors are treating the two differently.

People interested in the commodity are betting on the surging short-term demand. Stock market investors interested in the energy sector are making investments because they seek long-term returns. Too much short-term profit is irrelevant if the securities they invest in can't sustain the gains for the long run.

Oil prices are unlikely to stay so high for long as producers pick up the pace with production to close the gap between supply and demand, effectively normalizing oil prices to lower levels.

Foolish takeaway

As oil prices continue to rise, we could see phenomenally high prices for the commodity in the coming months. Despite the strong run in 2021, oil stocks continue to underperform underlying commodity prices. It could be a sign that investors are skeptical about how long the higher oil prices can be sustained.

One possibility is that oil stocks are underperforming the commodity prices because the general sentiment points toward the supply and demand issues leading to high prices being resolved soon. Another possibility is that oil stocks are undervalued right now and might start performing even better given the [strong industry tailwinds](#).

It could be an ideal time to invest in the Canadian oil patch right now and Suncor is an excellent asset to consider investing in for this purpose.

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