



Suncor Stock: Where Will It Be in a Year?

Description

Some of the best stock performers so far this year have been energy stocks. **Suncor** ([TSX:SU](#))([NYSE:SU](#)) stock, for example, has gained 26% already this year, compared to the broader market, which has gained just 15%.

[Energy stocks](#) like Suncor have outperformed the market for two reasons. First, they offered more potential to start the year. Most industries had already started their recoveries by the time 2021 rolled around. For energy stocks, though, this was when their recovery just began to pick up steam.

The other reason energy has outperformed is that the recovery that has materialized has been rapid and impressive. With mass vaccination efforts going on globally and economies reopening, there has been a considerable recovery in energy demand worldwide.

Commodities cycles can happen, and in fact, they are quite common but not to the extent of what we saw in the pandemic. Stay-at-home orders and travel restrictions caused an unprecedented slowdown in demand.

But the worst of that looks to be behind us. Even with concerns around variants and other shutdowns, there still shouldn't be as much of a dropoff in energy demand ever again. So the recovery has led to a strong increase in many of these stocks and a lot more opportunity going forward.

And as much as the recovery has played a part in the recent rallies, it's not all that's impacting the share prices of energy stocks like Suncor.

As economies around the world recover, one of the common problems they face is rising inflation. All the government stimulus over the last year, coupled with ultra-low interest rates, has created a tonne of excess money in the economy.

So with inflation rising rapidly and expected to continue to increase, commodities prices especially have been seeing a big rally.

What's going on with Suncor's stock price?

Oil prices were less than \$50 to start the year. Today they are upwards of \$70 and continuing to rally. So energy stocks clearly continue to be some of the best companies you can buy.

Suncor, though, has seen its stock price lag behind. So what's going on, and where can it be a year from now?

Suncor is a massive energy stock with a [market cap](#) north of \$35 billion. The company is one of the biggest and best. It's vertically integrated, giving it a tonne of stability and is one of the reasons why Suncor is one of the few Canadian stocks [Warren Buffett](#) has ever owned.

Suncor has outpaced the broader market to start the year as energy stocks have been one of the best industries to be invested in. However, it's massively underperformed its peers. And currently, the stock trades just over \$25. Meanwhile, analysts have an average target price near its pre-pandemic price of \$40 a share. So you may be wondering why the stock has been so slow to recover.

What's important to understand about Suncor is that while it's a safer energy stock to invest in because it's a lower volatility investment, it won't offer as much recovery potential.

An energy stock like **Peyto Exploration and Development**, for example, is up 144% year-to-date, compared to Suncor, which has gained just 25%.

So while Suncor is recovering, investors are clearly looking for investments with more recovery potential in the short term. What this has done, though, is create a great opportunity for investors to buy Suncor today.

Bottom line

As I said before, it's one of the best energy stocks that you can own long-term. So being able to buy the stock today at a significant discount to its fair value is a prime opportunity.

As long as the North American economy can continue to recover, there is no reason why Suncor's stock price can't return to its fair value by next year.

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