



## Why Did Suncor Energy (TSX:SU) Stock Fall Over 8% Today?

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock fell 8% in just one day. It is not just oil; the entire market dipped 2%, as rising cases of a new COVID-19 variant revived the dreadful memory of March 2020, when oil and airline sectors took the biggest hits from the pandemic. Suncor's stock dip comes after a 51% rally in the last three months. To understand the dip, you have to understand the rally first.

### Behind Suncor stock's 51% rally

In September, global economies reopened, and oil demand surged due to pent-up demand for travel. Oil prices surged past US\$72/barrel bringing significant cash flows to Suncor, which reduced its cost during the pandemic. The jump in cash flow enabled the company to [double](#) its dividends. All this optimism pushed Suncor stock up 51% in three months.

But any rally is short-lived in the case of Suncor. The company is a [cyclical stock](#) that benefits from an imbalance in demand and supply of oil.

### Behind Suncor stock's 8% dip

In the wake of growing oil demand and rising oil prices, the United States increased oil supply. But then came the new variant, causing partial lockdown in China and Europe. This created uncertainty around oil demand. If the Organization of the Petroleum Exporting Countries (OPEC) increases oil supply and the demand slips suddenly, oil prices could fall sharply.

Suncor stock's 51% rally has put it close to its cyclical peak. Hence, even a slight hint that the downturn is about to begin puts investors on toes. The 8% dip came as oil prices fell to a two-month low; U.S. West Texas Intermediate (WTI) crude fell \$5.82 to \$72.57 a barrel, its steepest fall since April 2020. Investors rushed to book profits before the stock nullifies its 50% rally.

## What should you do?

I generally do not suggest selling the dip, but the oil price has been falling for some time. I would suggest booking partial profits, so you have no regrets about missing the cyclical peak. The December 2nd OPEC meeting will determine whether or not the oil supply will be increased.

If the cyclical downturn is here, Suncor stock could fall 30% to around \$21. If you book some profit now, you can later buy at the cyclical trough. Suncor is a range-bound stock that is in a long-term downtrend. It is already trading at its resistance level of \$30. It could not maintain a price above \$30 for a long time after the pandemic. Hence, I did not recommend buying Suncor at \$32.

Looking at the current dip, this is what you could do: if you invested in the stock to get capital appreciation from cyclicalality, it is time to sell. But if you invested in the stocks for [dividends](#), stay invested. Keep some cash aside, as there could be another buying opportunity around the cyclical dip.

### CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

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### Date

2025/08/20  
**Date Created**  
2021/11/26  
**Author**  
pujatayal

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