# Suncor (TSX:SU): 1 TSX Energy Stock That's Dirt Cheap

## Description

TSX energy stocks have enjoyed an incredible run over the past year, and just because the page is turned on 2021 does not mean the industry environment is about to reverse course. Although the energy patch could use a cooling off after an incredible rally, I don't think it will, given the supply/demand imbalances that could continue to persist, as COVID waves continue moving through various parts of the world. In addition, inflation has been unforgiving, with U.S. CPI numbers rising to an unprecedented 7% for the last month. Inflation is a rough beast to tame, and commodities (think oil) could be a great place to protect your wealth.



With WTI surging above US$82 per barrel, I think the many Canadian investors who shied away from TSX energy stocks should get in. Even with the big rally in the rear-view mirror, the valuations and robust operating cash flows are hard to ignore, especially with some pundits looking at US$100 as the next stop for oil. Indeed, the thought of another oil boom in early 2020 seemed far-fetched. But I did recommend backing up the truck on battered TSX energy stocks when pessimism was at a high point. We can't turn back time, and investors should focus on the road ahead. Fortunately, I think the top TSX energy stocks have much more to offer as we head further into 2022 and a potential shift from pandemic to endemic.

## TSX energy stocks: The ultimate inflation hedge?

Inflation doesn't seem to be transitory. It keeps creeping higher, and investors should not expect coming U.S. Fed interest rate hikes to bring inflation back down to 2% in a hurry. Why? Nobody knows for sure how many rate hikes we'll get. The range could be anywhere from two to five. It could be higher or lower, and such situations could have major impacts on market action across the board.

It would be best to be prepared for anything, including fewer rate hikes and runaway inflation for the rest of 2022. Although the odds of 7% inflation in the U.S. remaining through year end seem low (a peak may be near), it can't hurt to be prepared for such a high-impact, albeit low-probability event. Investing is all about managing risk with reward, after all. And all risks must be factor in as a part of the investment process.

## Which TSX energy stock is too cheap to ignore here?

Arguably, you could do well by betting on the broader basket of energy stocks, but if you're a stock picker, I think there's a best bang for your buck. Currently, **Suncor Energy** (TSX:SU)(NYSE:SU) stands out as having one of the better risk/reward scenarios in the entire oil patch. CEO Mark Little took the reins just over two years ago, and the man has done a respectable job of steering the company back on the right track, despite the terrible industry conditions.

Suncor had to reduce its dividend, but now that the tide has turned heavily in its favour, its dividend is poised to surge at a rapid rate. Should oil continue climbing to new levels, expect Suncor to boost its capex and really turn on the spigot on production. If you're a bull on oil or lack exposure to the energy patch, Suncor is one top TSX energy stock that could get cheaper as its stock rises.



## Bottom line

Currently, Suncor trades at a modest premium to book value at around 1.36 times book, making shares of SU a deep-value play in my books. I think it's just a matter of time before Suncor eclipses its 2020 highs.

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