



Suncor Energy (TSX:SU) Stock Is Cheap: Should You Buy it Right Now?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) had a strong start to 2022, rising by 8.93% between January 4 and January 17, 2022. The energy stock reached its highest level since before the pandemic began. At writing, WTI crude oil prices stand at US\$83.94 per barrel, declining after almost hitting the fabled US\$85 mark.

Such an environment would typically imply that Suncor Energy and the broader energy sector can thrive. However, the recent decline in oil prices has also triggered another energy sector selloff. At writing, Suncor Energy stock is down by 8.06% from its January 17th levels.

Trading for \$33.20 per share, the question is: Is Suncor stock [cheap](#) and worth buying right now?

Today, I will take a close look at the situation to help you determine whether Suncor Energy is an [undervalued stock](#) that you should buy or a stock you should avoid.

What has caused the energy industry selloff?

Several possible reasons could be contributing to the current selloff in the energy sector. A rise in the U.S. oil inventory is one of the most significant reasons for the current downturn. The Canadian Association of Petroleum Producers anticipates that the country's crude oil investments will rise as much as 22% in 2022, reaching \$32.8 billion.

On the surface, this seems like positive news. Unfortunately, the rise of another Omicron variant, BA.2, has investors spooked. The global energy sector is amid a selloff right now, because early research has shown that the new variant may be resistant to the vaccine's effects.

Suncor stock's performance amid the pandemic

Suncor stock was trading for around \$45 per share in February 2020, right before the COVID-19 pandemic came along. The energy sector giant declined by 67% in the weeks since the pandemic

ensued but managed to stage a significant recovery.

March 2020 saw the novel coronavirus hit North America, and it sent oil prices crashing down. The price of WTI crude in the futures market even went into negative territory, impacting revenues for Suncor Energy and its peers. Suncor stock typically enjoys stable cash flows during volatile environments due to its integrated infrastructure offsetting some of its losses.

However, the oil prices dipped too low for the company to turn a profit. 2021 was a turnaround year for Suncor stock and the broader energy industry. Between January 2021 and January 2022, Suncor stock rose by almost 50% on the TSX.

The recent selloff sparked by fears of the new COVID-19 variant might send energy stocks down by a significant margin again. We are already seeing it happen, but it remains to be seen how drastic the decline will be before the energy industry can stage another recovery.

Foolish takeaway

Suncor Energy stock's performance in the third quarter was fantastic. It generated \$877 million in net income, up from a \$12 million loss. It posted \$1 billion in operating income, saw a 291% increase in its cash from operations, and had a 160% increase in its funds from operations. Rising oil prices boosted the company's revenues.

With oil prices going down again, it remains to be seen how drastic the impact might be on Suncor stock. At writing, Suncor stock is trading for \$33.20 per share, and it boasts a juicy 5.06% [dividend yield](#).

It could be a good idea to wait on the sidelines and keep a close eye on Suncor stock to see how low it goes before scooping up its shares for significant upside when it gradually stages another recovery.

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Date

2025/06/29

Date Created

2022/01/28

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