



A TSX Energy Stock to Watch Right Now

Description

TSX energy stocks went from unloved to red hot, and all it took was a couple of quarters to settle down. Indeed, nobody wanted to touch the oil stocks when commodities imploded in 2020.

Now, oil is booming, with US\$100 per barrel now within reach. Undoubtedly, I'd urged investors to load up on battered energy stocks around the same time when oil went negative for a brief period. I stated that the green energy boom was real, but valuations in the space were stretched and that it was foolish (that's a lower-case f) to conclude that fossil fuels were unlikely to disappear overnight. Indeed, [I made a bold call, leaving the door open for another oil boom](#), and that's what we've had in the second half of 2021, with oil rallying non-stop.

"Moreover, another oil boom can't be ruled out, as renewables are unlikely to fill the need should there be an unexpected demand shock within the next decade." I'd stated in my prior piece dated September 30, 2020.

Eventually, oil will experience some pullback, but with unprecedented demand for energy and ongoing supply challenges, count me as unsurprised if oil reaches the US\$100 level over the coming months.

TSX energy stocks: From bust to boom!

Indeed, it was tough to see oil's future when there was a cloud of uncertainty back in 2020. Did I have a crystal ball handy? Definitely not. I merely took a reverse stance, as everyone else and considered the incredible cash flows and dirt-cheap valuations across the space. Even with bearish expectations in mind, things were overdone back then, and true contrarians had to act while they had the chance. Indeed, sometimes you need to take a contrarian stance when everybody is so bearish on the sector and almost everybody you know has thrown in the towel.

In this piece, we'll check in on my favourite TSX energy stock to hold for the long haul: **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

Suncor Energy

Suncor lost its edge amid the pandemic, but the stock remains so absurdly undervalued that I think it represents one of the better bets for those late on the oil trade. The stock is up 11% year to date and nearly 60% over the past year. Amid such momentum, the valuation is still easy to get behind at a modest premium to book. The \$52 billion integrated energy behemoth is no longer the king of the oil sands, but it's still rich with cash, and as oil looks to surge past US\$100 (or even US\$120), I think it'll be hard to keep the stock below its pre-pandemic highs.

Suncor is great again, and it could get even greater as value shines over growth. With a 4.6% dividend yield, investors will do well while waiting. Indeed, Suncor stock may be in a suspect industry, but it's one rich with value. That said, its ESG score isn't terrible, with a "B" CDP rating, which gauges how a firm is responding to climate change. That's not bad for a fossil fuel firm!

Like it or not, Suncor is at the intersection of momentum, [value](#), and high yield, making it a compelling pick-up for those light on commodities.

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