



Suncor Energy (TSX:SU): This Oil Stock Could Beat the TSX Index in a Big Way

Description

TSX oil stocks went from duds to [red hot](#) in less than two years. Indeed, it was an unprecedented time that dragged WTI (West Texas Intermediate) prices into the gutter. With demand now looking to overwhelm supply, it's not a mystery as to why oil is booming right now. With the ongoing Ukraine-Russia crisis, WTI could easily make a run towards US\$120. Indeed, this is the oil boom that few investors saw coming during the days of dampened demand back in the early innings of the COVID pandemic.

Now that the tables have turned so drastically, I think now is as good a time as any for investors to punch their ticket to TSX oil stocks and other names in the energy space that now finds the [wind](#) moving from their head to their back.

Just how long will oil continue its ascent?

It's hard to tell, but some pundits aren't ruling out the US\$120 level. In any case, I believe that many TSX oil stocks are priced such that the recent rally isn't expected to last. If anything, some of the cheaper oil stocks out there may be priced with a pullback towards US\$80 baked in. If you're bullish on fossil fuels, I'd argue that most of the energy names on the TSX are incredibly undervalued at current prices. Even if you're light on energy stocks, I still think there are great diversification benefits of owning such to gain an edge over higher inflation. The valuations, dividends, and, of course, the momentum behind them are nothing short of enticing.

In this piece, we'll have a closer look at an intriguing TSX oil stock for investors keen on getting into energy amid its latest boom past US\$100!

Suncor Energy

Here's a TSX oil stock that doesn't get the respect it deserves, despite its record of prudence and operational excellence. Yes, **Suncor** ([TSX:SU](#))([NYSE:SU](#)) slashed its dividend when investors were most concerned. Many income investors depended on the rich payout, and when Suncor reduced it, many likely moved on. Looking back, the company was overly conservative. But it could have gone

either way. I don't think it was right to slam the firm for erring on the side of caution, even if its management team had no idea that the boom in decades would be right up ahead.

At writing, Suncor stock is still incredibly cheap at 14.4 times trailing earnings. If oil stays above US\$100 for another several months, I see upward pressure on the stock. In any case, Suncor is one of the best-run integrated firms in the Albertan oil patch. As it looks to get more aggressive on the production side slowly, I'd look for the perfect combo of earnings growth and multiple expansion due to a continuation of this rate-driven growth-to-value rotation.

Simply put, SU stock is a sleeper pick that's hiding in plain sight. The 4.2% yield is robust and poised to grow from here.

The bottom line

If you've been on the sidelines with oil stocks over the past year, it feels like you missed it. That's far from the case, though. Suncor stock's rally, I believe, isn't as potent as it could have been given where oil is at currently. Whichever way WTI heads next, SU stock seems like a bargain. So, if you're light on the oils, look no further than the name.

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