



Suncor Energy (TSX:SU) Stock – Has it Peaked?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock is flying this year. Up 25% year to date, it is soundly beating the TSX Index. It's no secret why this is happening. Oil prices are rising this year, and Suncor's earnings are rising too. Even in the fourth quarter, when oil prices were just "OK," Suncor produced phenomenal year-over-year growth in revenue and earnings. This year, oil prices are extremely high, and first-quarter earnings are likely to be much higher than fourth-quarter earnings.

The question is whether all this can last. Oil prices are currently high because of some well known political tailwinds like the war in Ukraine. Should these supply challenges pass, the price of oil will probably come back down. Suncor would likely do well if oil were to remain near \$100, but at prices below \$80, its stock would probably fall. In this article I will explore whether Suncor Energy stock has already peaked, paying particular attention to the oil price catalyst.

Oil prices rising again

WTI oil prices started off 2022 with a bang, going from \$75 to \$120 in a few short weeks. Energy stocks [predictably rallied](#) along with the price of oil. When the price of oil goes up, companies that extract and sell crude oil make more money. So, the correlation between the two variables is predictable.

The question is whether the price of oil will continue going up. The war in Ukraine has disrupted the world's energy supply. Russian oil is [no longer flowing freely](#), and that has held back supply. As a result, countries are now seeking out alternative suppliers, sending prices higher. Just recently, Saudi Arabia increased prices charged to U.S. and European customers. It will likely continue charging high prices as long as Russia is out of the picture.

This bad situation is actually a financial "good" for Suncor. As a Canadian energy company that only sells oil to other North American entities, it profits from the higher price of oil. It doesn't need to worry about selling less oil. But should the war in Ukraine end, then the upward pressure on oil prices will dissipate. Prices could remain pretty high, but they likely won't approach the highs seen earlier this

year. Suncor stock might fall in such a scenario.

First quarter likely to be huge

Because of the high oil prices we're seeing right now, Suncor is likely to put out very strong earnings when it reports for the first quarter. In the fourth quarter, during which oil prices ranged from \$75 to \$80, Suncor delivered:

- \$3.14 billion in adjusted funds from operations (AFFO), up 157%
- \$1.55 billion in net income, up from a loss
- \$1.29 billion in operating income, up from a loss

These were pretty strong results. And in the first quarter, oil prices were even higher than they were then. Revenue and earnings will certainly grow. If they beat analyst estimates then Suncor's stock may rise. But analysts and investors will be keeping an eye on oil prices, too. If Suncor releases first-quarter earnings amid a rapid collapse in the price of oil, then gains may not materialize.

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