



## Suncor: My Top Energy Stock to Buy as Oil Surges Further

### Description

It's about time Canadian energy stocks got the [respect](#) they deserve after many years of dealing with big-league investors throwing in the towel and domestic investors losing interest. With oil at north of US\$105 per barrel, there are a lot of reasons to give the top fossil fuel firms the benefit of the doubt again. As you may know, playing commodities can be a difficult game to win.

In any case, [Warren Buffett](#) seems more than willing to pay up for the high-quality energy companies with oil prices now above the US\$100 mark. I don't think he's trying to "play" the near-term price of the commodity. Instead, I think there's an opportunity to score a solid risk/reward tradeoff, as unprecedented conditions have paved the way for increased demand for domestic energy.

Although oil has settled at above US\$100 for quite some time now, many oil producers have yet to rally by a similar magnitude. That's just the nature of how oil stocks trade. They don't tend to overreact to the big ups and downs in the oil markets. Could it be that investors don't think oil will stay above US\$100?

### How high can oil prices fly?

For certain stocks, like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), that could be the case. Regardless, I think the reality of +US\$100 oil for longer will feel more real, the longer it remains at these levels. In essence, oil stocks could have the green light to keep on rallying, as they look to ramp up on production and turn on the spigot after years of not being able to make the most of their many landlocked assets simply because of the unfavourable economics.

With the recent oil surge, the economics have improved in a big way! Warren Buffett and other intelligent investors see this. With a name like Suncor, you're effectively getting a glimpse of the hand of the macro environment without having to pay up by too much. Now, oil could reverse course overnight, especially if the Ukraine-Russia crisis comes to a peaceful resolution.

In any case, I think the impact of higher oil could be more devastating, bringing the need for investors to hedge their bets with an energy play.

## Suncor Energy stock: Value and momentum in the oil sands

Currently, Suncor Energy is one of my favourite integrated energy names out there. It's making a run for new highs, yet the stock still trades at a somewhat reasonable multiple at 14.9 times trailing earnings. Up 55% in the past year, though, SU stock is hot and could be prone to wild swings if oil fluctuates further.

In any case, I view the play as one of the best values in the oil patch these days. If you lack exposure or need a hedge against rocketing oil prices, I'd not hesitate to consider SU stock at around \$41 and change. It's a great company that's far more resilient than most would think.

## Bottom line

Oil prices won't soar forever, but it can stay above the US\$100 level for a prolonged period. That's where I see the most upside for today's Canadian energy stocks.

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