



Suncor Energy (TSX:SU): This TSX Commodity Stock Is White Hot Right Now!

Description

Commodity stocks have been hot of late, powering the broader TSX Index higher, even as its U.S. counterparts in the S&P 500 and Nasdaq 100 have sunk. Indeed, many Canadian investors who've [diversified](#) their portfolios are likely feeling pain.

Those who are overweight on euphoric growth and tech stocks probably feel like we're already in a vicious bear market. While the market has shown some fragility, ending last week with a nasty decline alongside the U.S. indices, I think that the white-hot commodity stocks (this market's new class of momentum plays) could be ready to roar higher on the back of the profound strength in the price of a wide range of commodities.

Why commodity stocks may be great pick-ups as they heat up

Though many beginner investors got a lesson in the penalties of blindly chasing red-hot momentum plays, I think that commodity stocks are a different beast. I'd much rather buy various commodity stocks on strength, rather than weakness.

Why? Commodities like oil (West Texas Intermediate), precious metals (gold and silver), crops, and fertilizers (potash, nitrogen, and phosphorus) are incredibly cyclical.

They can stay stuck in a rut for years or remain elevated for an equally long time. They're hard to time. But if an investor can punch their ticket into a well-run producer of said commodities, there is value to be had, given there's typically a lag between a commodity producer's stock and the price of the underlying commodity. Indeed, commodity prices tend to be more choppy, and a producer's stock may need more time to digest such moves.

Higher commodity prices may be here to stay

While the broader basket of commodity plays has had many quarters to enjoy higher commodity price moves, I still think the stocks of many top producers are discounting the probability that their said

commodities will remain robust. Even if a commodity is due to correct (or worse), such commodity stocks can serve to diversify your portfolio further. If you can get paid a solid dividend while you wait, all the better. Amid inflationary (could stagflation be on the way in 2023?) times, I'd argue it's only prudent to play both sides of the coin.

In this piece, we'll look at energy giant **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Suncor stock has been up 62% over the past year. Though the road higher has become a tad choppy, I expect the intriguing energy and value stock will finish the year stronger as management looks to make the most of the newfound industry tailwinds. Undoubtedly, Suncor is a healthy cash cow that will be in a spot to reward investors for their patience.

Suncor Energy stock

Suncor is a [high-quality](#) integrated energy firm that just recovered from the 2020 stock market crash. It took around two years, but the stock is ready to move on, and I think it could test all-time high this year if WTI prices remain above the US\$100 level.

With the Ukraine-Russia crisis getting worse, investors should look to diversify into energy plays to help offset some of the impact of high inflation. Energy demand is expected to remain strong through the year, even as the U.S. seeks to take steps to reduce the price of oil.

With a 14.8 times trailing earnings multiple and a 4.1% dividend yield, Suncor stock is a great bargain pick with considerable momentum behind it. As broader markets wane in the face of higher rates and inflationary pressures, Suncor looks poised to continue trading under its own power en route to higher highs.

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