



## Suncor Energy: Here's When I'd Sell

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock is outperforming the market this year. In a period when the markets as a whole are down, SU is up 50% as of writing. This is some serious outperformance, and it could continue.

Last week, OPEC+ had a meeting to decide what it would do about oil output. The cartel decided to raise its output hike from 400,000 barrels to 600,000. Initially, media reports claimed that the cartel “hiked output by 50%.” Later, journalists realized that only the magnitude of increase was rising by 50%, and that 600,000 extra barrels was a mere 2% increase in [OPEC's total output](#). Crude futures soared shortly afterward.

Put simply: there is not a tonne of new supply coming on the market that could take oil prices lower. So, WTI crude is likely to remain relatively high for a while. The new supply coming from OPEC is probably enough to slow the pace of price appreciation (if demand is held constant), but it won't cause a dramatic crash.

All of this is good news for Suncor. As a Canadian oil company that sells oil in Canada and the U.S., it benefits from higher oil prices. It's been a great buy this year, and I myself have bought it twice. However, I will most likely not hold this stock forever. In this article, I will go over two scenarios in which I would sell SU stock.

### Scenario #1: A big boost in production from OPEC

If OPEC+ decided to significantly increase output, I would probably sell Suncor Energy stock. Many OPEC countries have extremely low breakeven oil prices. Saudi Aramco, for example, only needs \$10 oil to turn a profit. Saudi Arabia's fiscal breakeven (the price at which oil covers the government budget) is higher than that, but basically Aramco shareholders can make money with extremely cheap oil. That's less the case with a company like Suncor.

Suncor breaks even at about \$40 WTI, and prices have gone lower than that before. It's not inconceivable that OPEC could boost production to a level that would cause problems for Suncor. The

stock is [undervalued](#) at today's oil prices but overvalued at \$30 WTI. I would sell if I thought that prices would go that low.

## Scenario #2: A major government commitment to improving supply chains

A second scenario in which I would sell Suncor Energy stock is one in which policy makers commit to improving global supply chains. There are ways in which policy makers could increase the flow of oil worldwide. For example:

- By re-starting the Keystone XL pipeline
- By providing financial support to shipping companies
- By accepting more oil shipments from foreign countries that we currently do not buy oil from

Any one of these measures would relieve some of the pressure on global supply chains. That, in turn, could lower the prices of commodities, including crude oil. I do not personally believe that any of these measures will actually happen soon, so I continue to hold Suncor Energy stock. But I'd sell the stock if I thought that perhaps two of the three measures listed above were about to be implemented.

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