



## When to Sell Suncor Energy (TSX:SU) Stock

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is among the top gainers of 2022. It peaked at \$53.62 on June 9. Last it crossed this level in 2018 and 2008. But oil has a cyclical nature that prevents it from staying high for a long time. Determining when and which decline is cyclical is difficult to say. For that, you have to follow the global oil market.

### The global oil story: Where is it heading?

The global oil story has four key parties: Russia, the Organization of the Petroleum Exporting Countries (OPEC), Europe, and the United States. These four parties are divided into two sides, Eastern and Western, after Russia invaded Ukraine. There are many loose ends in the fabric of the global oil supply that continue to keep oil prices high.

On one side is Russia, one of the largest exporters of oil and natural gas to Europe. Europe's primary replacement for Russia is Saudi Arabia, a founding member of OPEC. Now, Russia is a member of OPEC+, and Saudi Arabia doesn't want to sever its ties with Russia. OPEC pledged to increase oil output but has failed to meet its commitment. Its [May output](#) dropped by 176,000 barrels a day, adding to high oil prices.

On the other side are Europe and the United States, which have banned Russian oil. So, even though there is oil supply, Europe is facing a supply crunch, as OPEC is not increasing supply. Russia has oil, but because Europe is not buying, it is selling to Asian countries. The United States has sufficient oil, as it is importing oil from Canada.

Western countries won't buy Russian oil until it ends the war with Ukraine. Eastern countries won't sever ties with Russia and block access to US\$20-US\$30/barrel of oil. Until Europe finds an alternative to Russian oil, oil prices won't ease.

### Where does Suncor Energy stand?



Canada is one of the key beneficiaries of the oil story. It is among the western nations that have sufficient oil and can even export more oil if there are pipelines and ships to carry it. And Suncor Energy is the largest integrated pure-play oil company in Canada. Hence, its stock price surged as much as 40% after the Russia-Ukraine war began on February 24. This whole upcycle depends on how the war changes the global oil supply chain.

In June, Suncor stock dipped 20%. Investors got worried if this is the end of the [cyclical](#) boom. But the oil price was still above US\$100. The dip came as the United States consumer demand made a new low, bringing fears of recession closer to reality. The weakness in consumer demand reduced pressure on oil prices, while the global supply situation remained tight for western countries.

But Suncor stock surged after the G7 summit, where Europe and the United States agreed to impose price caps on Russian oil. If this plan backfires, and Russia retaliates by cutting oil exports, Suncor stock could make a new high.

Suncor Energy is at the crossroads of tight oil supply and weak consumer demand. These two forces will keep oil prices above US\$100. But there will come a time when oil prices stabilize and that is the time to sell Suncor. It is a cyclical stock you can buy at the dip and lock in high dividend yields.

## When to sell Suncor Energy stock

On the global oil map, Suncor stands no chance of beating Russia and Saudi Arabia in terms of oil production. Russia produces oil at US\$3-US\$4 per barrel and can profit even by selling it at US\$30. **Saudi Aramco** produces oil at US\$10/barrel, and Suncor produces oil at US\$40/barrel. Such a vast difference in oil production puts Suncor at a disadvantage over its eastern counterparts.

It's time to sell Suncor stock and book profits when

- OPEC meets its promised oil output;
- Europe returns to buying oil from Russia;
- Europe and the United States find a replacement for Russian oil;
- Governments invest in oil development and pipeline projects to ease oil prices; or
- Governments subsidize oil shipping price.

Any policy or investment that increases oil supply is your hint to sell Suncor stock.

### CATEGORY

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