



Now's the Time to Sell Suncor Energy and Buy This Top TSX Stock

Description

The oil price crashed 8% on [July 5](#), as fears of global recession disrupting oil demand outweighed supply concerns. Canada's largest integrated oil company **Suncor Energy's** ([TSX:SU](#))([NYSE:SU](#)) stock fell over 9% since July 5. The oil market is hanging on a cliff, and several geopolitical variables can push the oil price to any side. This has brought investors to a crossroads. To sell or not to sell [oil stocks](#)? That is the question.

Suncor Energy and other oil stocks fell more than 20%

Canadian oil stocks surged more than 60% this year, beating the market in terms of growth. But this growth seems to be cooling since June, as **Suncor Energy's** stock fell 22%. What is causing this cool-off?

Global oil supply

Oil is a commodity highly sensitive to geopolitical issues. The Russia-Ukraine war has put oil at the centre of global politics. Although there is no actual supply shortage, the western sanctions on Russia have caused an oil shortage in Europe, which depends on Russia for nearly 40% of its oil and gas needs. Russia has stopped supplying oil to European countries that refused to pay it in rubles.

The United States and Canada have ample oil and gas supply to meet their domestic needs. Asian countries are sourcing Russian oil at a cheaper rate. Saudi Arabia is reluctant to increase oil supply and ease Europe's distress for Russian oil alternatives as Russia is a strategic member of OPEC+. Iran can add one million barrels per day (bpd) of crude to the world supply, but the United States has imposed sanctions on it, too.

Global oil demand

While the oil supply situation remains tight, the fear of global recession is haunting central banks and

economists. The rising oil prices have spiked inflation to a 30-year high. Households are cutting down consumption of other goods to keep up with their energy bills, causing a weakness in consumer demand. Industrial production has started feeling the impact of slowing demand.

The overall weakness in industrial and consumer demand has revived fears of a disruption in oil demand and pulled down oil prices. Moreover, waves of COVID in China create fear of a slowdown in oil demand.

Oil prices plunged in every recession the world witnessed. This fear has pulled down Canadian oil stocks from their 52-week highs.

Can Suncor Energy stock bounce back?

Canadian oil companies lag behind Russia, Saudi Arabia, and Iran in production costs. (**Saudi Aramco** and Suncor produce oil at US\$10 and US\$40/barrel, respectively.) If the U.S. sanctions on Iran are lifted or if Saudi Arabia boosts the oil supply, oil prices could fall significantly. While this won't impact Suncor Energy's oil exports to the United States, it will pull down global oil prices. This means Suncor will sell the same amount of oil but at a lower price.

The oil story continues to dwindle. Suncor stock could bounce back if the recession is delayed or Russia decides to cut its oil supply to Europe. But as a risk-averse investor, I would book my profits from oil stocks and lock them in renewable energy stocks like **TransAlta Renewables** ([TSX:RNW](#)).

There is a 50:50 chance of Suncor stocks rising back to \$53 price. But even at \$41.5 per stock, you can book a 25% profit. So, if you'd invested \$2,000 in Suncor at the start of the year, your portfolio is now \$2,500. You can sell \$500 worth of stocks and book partial profit. If Suncor bounces back to \$50, you can remove the profit and keep your principal of \$2,000 invested.

I recommend cashing out profits from capital appreciation, as Suncor is a cyclical stock, and this growth will vanish when the oil price falls.

Why invest in renewable stocks?

Oil and gas are a short-term solution to the global energy crisis. This has called for long term and sustainable solutions to energy security. Europe is eyeing renewable energy, especially wind and solar, to reduce dependence on Russian oil. TransAlta has many wind, solar, and natural gas projects and could be a beneficiary of the energy shift.

CATEGORY

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