# Energy Squeeze Widens the TSX's YTD Loss to 11.99%

## Description

The **S&P/TSX Composite Index** eked out a 2.17% gain in 2020, despite the oil slump. Fast forward to July 2022, and it seems the global squeeze on energy supply is harder to overcome. The energy sector started strong due to higher crude prices, but the year-to-date gain is down to only 26.64% from a high of nearly 70% in Q1 2022.



On July 12, 2022, Canada's main stock index sunk deeper to close at its lowest level in more than 15 months. Oil prices fell below US$100 per barrel on recession fears and weaker economic outlook. Fatih Birol, the executive director of the International Energy Agency (IEA), said, "We might not have seen the worst of it yet — this is affecting the entire world."

The energy sector lost 5.34% in five days, and the downtrend could continue if crippling shortages aren't resolved soon. Because of the current turmoil and looming crisis, should investors be wary of oil stocks and move out of the sector?

## Flashing red

While six of the 11 primary sectors managed to advance on Tuesday, nearly all energy constituents were flashing red. **Arc Resources**, **NuVista Energy** and **Suncor Energy** (TSX:SU)(NYSE:SU) declined the most. However, Suncor might plunge further because of a fifth workplace fatality.

Phil Skolnick, an analyst Eight Capital, downgraded the oil bellwether to a sell rating. Mark Little resigned as CEO effective immediately following the death of a contractor. However, Skolnick believes that Suncor requires real changes, not just a new CEO. He covered the energy sector for 25 years but 12 deaths at Suncor sites since 2024 are unacceptable.

## Need for real changes

Meanwhile, Suncor's executive vice-president of downstream operations, Kris Smith, is now the interim CEO. Board chairman Michael Wilson said, "Suncor is committed to achieving safety and operational excellence across our business, and we must acknowledge where we have fallen short and recognize the critical need for change."

Under Little's stewardship, Suncor regained investors' confidence. The $56 billion integrated oil company made an incredible turnaround from a dismal performance in 2020. Net earnings in 2021 reached $4.11 billion compared to the $4.3 billion net loss in the preceding year. The company also paid $1.6 billion in dividends to shareholders.

In Q1 2022, Suncor's free funds flow improved by $2 billion from a year ago. Its CFO, Alister Cowan credits the company's marketing capability and realization of higher average prices. Little added that under current market conditions, Suncor saw significant value capture on both ends of its integrated model.

Prior to the most recent accident and his resignation, Mr. Little said Suncor is well positioned to deliver higher production and substantial free funds flow in 2022. Management has a clearly defined capital-allocation framework that would accelerate shareholder returns and debt reduction. Moreover, the integrated model is a downside protection for investors.

Suncor trades at $39.71 per share (+27.98% year to date) and pays a 4.53% dividend.



## Worst-ever energy crisis

Birol said further, "The world has never witnessed such a major energy crisis in terms of its depth and its complexity." Apart from the oil prices crashing below US$100 per barrel, industry analysts see a perfect storm developing for natural gas before the winter season.

**CATEGORY**

1. Energy Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

**PP NOTIFY USER**

1. cliew
2. kduncombe

**Category**

1. Energy Stocks
2. Investing

**Date**
2025/07/02
**Date Created**
2022/07/14
**Author**
cliew