



Why Suncor Energy (TSX:SU) Fell 8% Last Week

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock fell 8% last week, as crude oil prices took a major dip. On Thursday of last week, WTI Crude Oil—a widely followed oil benchmark—slipped below US\$90, a key psychological threshold.

Although Suncor stock is still up for the year, it is rapidly giving up its gains. This begs the question: is the stock still a buy, or is its run already over? To help answer this, I'll explore the factors that are dragging SU stock lower, and attempt to determine whether the stock is done rising for 2021.

Oil prices fell

The big reason why Suncor stock fell last week is because [oil prices](#) fell in the same period. When oil prices fall, oil producers tend to make less money, so oil stocks fall too.

This year, oil prices have ranged from US\$76 to US\$123. Price levels below US\$90 aren't unheard of. However, these lows have not been seen since before Russia's invasion of Ukraine, which raises the possibility that the global oil supply crunch is easing.

What does the invasion of Ukraine have to do with Suncor? Quite a lot, actually. Oil is a global market, with buyers vying for oil from suppliers all over the world. Shortages rooted in one region can affect the supply in other regions. The higher the global price of oil, the more money Suncor makes. If global oil prices fall, then Canadian gasoline prices, and the price of Canadian crude oil sold to the U.S., will fall too. So, falling oil prices are bad for Suncor Energy.

Earnings pare losses

As we've seen, Suncor Energy's stock price drop coincided with a fall in the price of oil. That's to be expected. However, SU actually fell less than oil prices did last week. For the week, WTI Crude fell 9.5%, but SU stock only fell 8%. So, Suncor fared better than the commodity it sells.

Why is that?

It may have to do with Suncor's earnings. On August 4, Suncor delivered an [earnings release](#) that wildly exceeded analyst estimates, boasting metrics like:

- \$5.34 billion in adjusted funds from operations (a common oil industry profit measure), up 130% year-over-year.
- \$3.8 billion in operating earnings, up 427%.
- \$3.99 billion in net income, up 360%.

It was an incredibly strong showing. Not only did the release beat analyst estimates, it also showed strong growth and significant debt reduction. Suncor rallied shortly after the release came out, although it gave up the gains later in the day on Friday. Still, the early rally was enough to pare Suncor's stock losses below what the raw price of oil would have predicted.

Foolish takeaway

Suncor Energy stock has given investors a wild ride this year. Swinging up and down dramatically all year long, it has really been something to watch. I actually owned Suncor stock earlier this year, and enjoyed some of the gains it delivered in the first half. It was a profitable trade, and I think those who invest today are likely to get decent results too. However, I'm sitting out this round because the extreme volatility of oil prices makes for a nerve-rattling experience.

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