



Why Suncor Stock Could Be a Great Portfolio Hedge Right Now

Description

With fears of recession, skyrocketing inflation and the recent Fed interest rate hike, the global stock market isn't looking very favourable for investors. Many may be looking to hedge exposure or find investment-worthy sectors to put capital to work. For those looking at **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock, I think such an opportunity exists.

The energy sector is one that's very cyclical, and driven by underlying commodity prices. We've seen energy prices surge of late, bolstering the valuation of Suncor and its peers. However, the question remains: how long can prices remain elevated?

That said, for those taking a medium- to long-term view of the market, I think Suncor may be worth hitting the bid right now. Here's why.

Suncor stock surges following earnings

There's certainly a strong fundamental argument to be made in favour of Suncor stock. Indeed, in the company's second-quarter (Q2) financial results, Suncor blew away consensus estimates. The integrated energy company reported \$2.12 of earnings per share, shattering expectations of \$1.74 per share. Higher oil prices, which led to a 71.5% increase in revenues year over year, drove these results.

Accordingly, Suncor stock has been one of the few that's actually been on a tear of late. Whether it's too late to get into this trade can be debated. However, it's clear that Suncor isn't throwing in the towel one bit. The company believes in its forward prospects so much that it increased its quarterly dividend distribution by \$0.47 per share. Additionally, a share repurchase of \$2.6 billion was announced.

That's not a move a company worried about the future makes.

Furthermore, Suncor announced impressive production volume. Oil sands production increased to 483,000 boe/d from 437,200 boe/d in Q2 2021. Its Syncrude operations also rose to 196,500 barrels per day (bpd) from last year's 113,700 bpd.

Suncor plans to diversify assets, as its quarterly profit surges

The recent oil sanctions on Russia have caused havoc in the global crude oil supply. However, energy companies around the world are still trying to boost production in order to meet increasing energy demands.

Thus, global crude oil prices have seen a rise of 48% in the first half of this year. This has resulted in a four-fold increase in Suncor Energy's Q2 2022 profits. With the rise in its capital assets, Canada's third-largest oil producer has taken the decision to diversify its portfolio.

It has initiated the sale process for its U.K. business and signed a deal of approximately \$410 million to divest its Norway assets. Suncor is yet to declare further details of the U.K. and Norwegian asset buyers.

Bottom line

Overall, Suncor stock remains a top-tier option for investors in the energy space right now. Suncor's recent momentum has the potential for its stock to become a great portfolio hedge. I'm of the view that investing in a company like Suncor can provide growth upside, diversification, and hedging value in this market. Thus, there's a lot to like about this energy stock right now.

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