



## Suncor Energy Stock up 43%: Is it Time to Sell?

### Description

**Suncor Energy** ([TSX:SU](#)) stock outperformed this year, as the world grapples with the biggest oil and gas crisis. [Oil stocks](#) have had a remarkable year, with Suncor stock up 43%. But the Wall Street analysts are divided. In all this uncertainty, what should you do with your Suncor?

Before jumping into the verdict of buying or a selling Suncor, let's take time and understand what exactly is happening in the oil market to make an educated decision.

### What do Wall Street analysts have to say about oil prices?

Wall Street is divided on oil prices. On one side, you have the emerging markets of China and India, the biggest growth drivers of the oil market. The end of Covid restrictions in China and development activity in India could drive oil demand. Based on these reasons, **Goldman Sachs** and **Morgan Stanley** expect oil demand to return. Goldman Sachs [expects](#) oil prices to be between US\$110 and US\$125 per barrel in 2023.

But Fitch expects otherwise, as several economies ring recession warning bells. A recession depresses oil prices by pulling down demand. Fitch expects oil prices to fall from US\$102 this year to US\$95 in 2023 and US\$85 in 2026. Even the Organization of Petroleum Exporting Countries (OPEC) lowered its demand growth predictions by 100,000 barrels per day (bpd).

Between the bulls and bears lies uncertainty of the Strategic Petroleum Reserve (SPR), an "emergency stockpile of petroleum maintained by the United States Department of Energy (DOE)." The United States withdrew 180 million barrels of oil from the SPR to control oil prices. The problem with this strategy is it is dangerous. The SPR has a little over 400 million barrels in its reserve, which is insufficient to sustain a month in the case of an emergency. The Biden administration stated they would refill the SPR when the oil price falls to US\$72 or less.

If matters worsen, and the SPR reaches dangerously low levels, it might probably have a negative impact instead of a positive impact on oil prices.

## Where does Suncor Energy stand in the oil saga?

Suncor Energy is one of the biggest oil producers in Canada and a major oil exporter to the United States. It costs Suncor US\$25-US\$28 to produce a barrel of oil and remains profitable if the oil price is greater than US\$40. The lack of control over commodity prices limits the upside potential for Suncor.

In mid-June, Suncor stock peaked at \$53 when the oil price reached US\$125/barrel. Even if the oil prices reach this level again, they cannot be sustained, as market demand and supply forces will pull down the price. I won't be too optimistic about Suncor stock crossing the \$53 level.

## Is it time to sell?

Remember the lesson: buy the dip sell the rally and be fearful when others are greedy. Don't be greedy and wait for Suncor stock to hit \$53 or above. A \$47-\$49 price point is difficult to see for Suncor. The last time it reached this price was in July 2018 and in 2008. And the stock didn't stay at these levels for long.

Make the most of this bull phase and sell Suncor stock. Here's how to go about with profit booking. If you own 20 shares of Suncor, divide them into five lots. You can determine the lot size if it is five shares in every lot or uneven numbers. Make the following trades:

- Sell the first lot at the current price of over \$47.5
- Put the second lot for sale at \$50
- Put the third lot at \$51.5
- Keep the fourth lot for mid-term opportunistic sales
- Hold the fifth lot for long-term dividend growth

So, if the bullish analysts are right, you enjoy the higher market price. But if the bearish analysts are right, and the stock price falls, you made some profits from the [bull market](#).

Use the money from profit booking to buy resilient stocks like **Enbridge** that can preserve your principal and give you a high dividend yield.

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