



Commodity Investors: Should You Buy Suncor Energy Inc. or Teck Resources Ltd.?

Description

Commodity stocks are starting to see some new signs of life, and investors are wondering which companies might offer the best shot at some big gains.

Let's take a look at **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Teck Resources Ltd.** ([TSX:TECK.B](#))([NYSE:TECK](#)) to see if one should be in your portfolio right now.

Suncor

Suncor is Canada's largest integrated energy company with business lines that run right down the value chain.

Most investors know Suncor as an oil sands giant, but the company also owns refineries and more than 1,500 Petro-Canada retail locations.

The diversified revenue stream has helped Suncor navigate through the oil rout in much better shape than many of its peers, and management has taken advantage of the downturn to add strategic assets.

Suncor acquired a majority stake in Syncrude through its purchase of Canadian Oil Sands and has increased its holdings in other ventures, including the purchase of an additional position in the Fort Hills oil sands development, in which Teck is a 20% partner.

Operating costs have come down 20% at the oil sands facilities over the past two years, hitting \$22.55 per barrel in Q1 2017.

Low oil prices are still putting pressure on cash flow, despite operating improvements, but Suncor's balance sheet is in good shape, and the dividend should be safe.

At the time of writing, the dividend yield is 3.3%.

Teck

Teck is Canada's largest diversified mining company with a core focus on metallurgical coal, copper, and zinc.

The three commodities had been in terrible multi-year slumps leading into 2016, and Teck's stock took a beating as a result, hitting a low of \$4 early last year.

At one point, it looked like the heavy debt burden would crush the company, but a price surge in all three of the core products through most of 2016 saved the day.

Teck was able to pay down some of the debt, and the stock soared to \$35 per share in November.

Coal, copper, and zinc prices cooled off through the winter and into the spring, and Teck gave up some gains, hitting \$20 last month. A revival over the past few weeks has the share price back up to \$26 at the time of writing.

Is one more attractive?

Suncor is a play on oil, while Teck provides an opportunity to ride a broader commodity rally, so the decision depends on where you want to invest your money.

Teck is definitely more volatile, which means the upside torque is greater when prices are rising, but the downside risks are also more severe if things reverse course.

If you are keen on owning commodity producers but want to even out the roller-coaster ride, I would probably split an investment between the two names today as a balanced way to get exposure to oil, met coal, and the base metals.

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1. Energy Stocks
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