



Barrick Gold Corp. Vs Suncor Energy Inc.: Which 1 Is Better for Dividend Investors?

Description

For dividend investors in gold and oil stocks, there is an interesting trend to follow...

While the precious metals rose 11% this year, crude oil slumped 10% during the same period.

Many analysts believe this divergence will continue as gold outperforms amid geopolitical tensions, uncertainty related to the President Trump's political survival and crude oil remaining stuck in the mud.

Gold futures are trading near a nine-month high to \$1,294 an ounce with net-bullish bets on the metal are the highest since October, according to **Commodity Futures Trading Commission** data.

Now let's analyze the stock price trends of my two favorite picks in the commodity space, **Barrick Gold Corp.**([TSX:ABX](#))(NYSE:ABX) and **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), to find out which one is a better buy if this divergence prolongs.

Barrick Gold Corp.

Barrick Gold Corp, the world's largest gold miner by production, has seen its stock jumped by 10% in the past one month, helped by higher gold prices and better-than-expected earnings in the second-quarter.

Barrick Gold has been able to turn the corner after several years of belt-tightening measures that included cut in its production costs, debt and selling some of its assets.

These operational improvements are now showing up in the company's income statement. In the second-quarter, Barrick reported adjusted net earnings of US\$261 million, or \$0.22 a share, up from US\$158 million, or \$0.14 a share, in the year-ago period.

Barrick stocks offers 0.7% dividend yield after 31% cut in payouts during the past five years as the company struggled to cope with the falling gold prices.

Suncor Energy Inc.

When compared to a rebound in Barrick Gold stock this month, gains in Suncor were a little over 1%. Despite this underperformance, Suncor stock held up well amid a weakness in crude oil prices. Being one of the Canada's best-run diversified energy companies, Suncor is the safest energy stocks to have if you're an oil bull.

For dividend investors, Suncor's 3.29% yield may not be as exciting when you compare it with the top names offering much juicier payouts. But when it comes to reliability and sustainability of payouts, Suncor is probably ahead of the pack.

The company has been increasing dividends for the past 15 years. The latest was in the first quarter of 2017, when the quarterly payout was increased by 10% to \$0.32 a share.

Which one is better?

Both Barrick Gold and Suncor are success stories when it comes to cost cutting and operational efficiency. Barrick is a better pick if you want capital gains, while Suncor is a buy-and-hold type investment for long-term investors who want some exposure to energy sector.

Given the divergence in oil and gold prices, having both stocks in your portfolio provides a hedge against the commodity cycle. I think it will be a good strategy to have a 50-50 weight of these top commodity stocks in your portfolio.

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Author

hanwar

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