2 Stocks to Buy Despite Trading Near All-Time Highs

Description

As the Canadian TSX Index continues to hit new highs, investors are searching for stable market leaders to add to their portfolios.

Let's take a look at two resilient dividend stocks that should be on your radar.

Suncor Energy Inc. (TSX:SU)(NYSE:SU)

Falling oil prices and a major production shutdown haven't had much of an impact on Suncor's shares. At the time of writing, the stock trades for $54, which isn't too far off the high.

WTI oil is back down to US$68 after topping US$74 in recent weeks. The downward trend could pick up steam, as the U.S. hints at softening its position on Iranian oil, and traders eye a potential supply increase of one million barrels per day from Russia and some OPEC members.

Libya restarted oil shipments a few days ago, and that has also contributed to the recent price drop, but production is once again at risk, amid reports of oil-worker kidnappings. As such, volatility remains a part of the oil picture, and I wouldn't be surprised to see the market quickly jump back above US$70 per barrel.

At the company level, Suncor's Syncrude operation is down due to a major power problem. The plant is expected to be back at 60% or 70% capacity in August and at full output in September.

Suncor completed the Fort Hills and Hebron projects late last year. Both facilities are ramping up output and have multi-decades of production life ahead of them. In addition, Suncor's integrated business structure, which includes refineries and retail operations, makes it capable of riding out volatility in the oil market.

The company raised its dividend by 12.5% for 2018, and investors should see the trend continue. The current payout provides a yield of 2.7%.

Telus Corporation (TSX:T)(NYSE:TU)

The telecom sector took a hit in the first part of 2018 amid concerns that rising interest rates could cause income investors to sell their go-to dividend picks and put the money in fixed-income alternatives. The big Canadian communication names are now bouncing back, as investors figure the pullback might have gone too far.

Telus held up better than its peers and is now closing in on its all-time high of close to $49 per share.

The company should see free cash flow jump in the next few years, as it has now passed the 50% point in its roll-out of a major broadband network initiative. Telus has a strong track record of dividend growth and isn't burdened with a media division.

The stock still provides a yield of 4.3%, despite the 9% jump off the 2018 low.

Is one a better bet?

Suncor and Telus should be solid picks for buy-and-hold investors. If you only buy one, Suncor likely offers better dividend-growth prospects over the medium term, so I would probably make the oil giant the first pick.

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Author
aswalker