



Should Suncor Inc. (TSX:SU) or Nutrien Ltd. (TSX: NTR) Stock be in Your RRSP?

Description

Canadian savers are constantly searching for reliable stocks to add to their [RRSP](#) portfolios.

For much of 2018, the market appeared expensive, but the recent correction is finally giving buy-and-hold investors an opportunity to pick up some top names on the TSX Index at attractive prices.

Let's take a look at **Suncor** ([TSX:SU](#)) ([NYSE:SU](#)) and **Nutrien** ([TSX:NTR](#)) ([NYSE:NTR](#)) to see if one deserves to be on your buy list.

Suncor

A quick look at the business news headlines these days could easily deter investors from putting money into the Canadian energy sector.

Pipeline bottlenecks in Canada have driven down the price of Western Canadian Select (WCS) oil to the point where the differential between WCS and West Texas Intermediate (WTI) is about US\$40 per barrel. At the time of writing, a barrel of WCS oil sells for just US\$11.50 per barrel. In May it was US\$58.

Many Canadian producers are hurting as a result, but a few are actually able to benefit in this environment, and Suncor is one of those names. The company owns large refineries that can generate significant margins when WCS falls, as it can acquire the crude at low prices and then sell the refined products based on WTI or Brent pricing.

In addition, Suncor has adequate pipeline access and oil-by-rail agreements to get the majority of its production to the U.S. Gulf Coast, where it is able to obtain better prices for its oil.

Suncor reported strong Q3 2018 funds from operations and is generating significant profits. The company recently increased its share buyback program and investors should see a hefty dividend increase in 2019. Suncor raised the payout by 12.5% this year.

The stock is down from \$55 per share in the summer to below \$44, putting the dividend [yield](#) at 3.3%.

Nutrien

Nutrien is a global leader in the production of crop nutrients. The firm was created through a merger of Potash Corp. and Agrium that concluded at the beginning of 2018.

Fertilizer prices are recovering after a multi-year slump, so the timing of the marriage appears ideal. Nutrien upgraded its guidance for 2018 due to better-than-anticipated cost savings achieved through the integration of the two companies, as well as improved market conditions for potash, nitrogen, and phosphate.

New supply contracts negotiated with China and India are at higher prices than last year. These deals are used as benchmarks for the market and should indicate that things are moving in the right direction. Due to its size, and the fact that Agrium and Potash completed major capital programs before the merger, Nutrien stands to generate significant free cash flow as fertilizer prices continue to recover.

As a result, strong dividend growth should be on the way in the coming years. The current payout provides a yield of 3.3%.

Nutrien trades for \$68 per share, compared to the 2018 high of \$78.

Is one a better RRSP bet?

Suncor and Nutrien should both be solid buy-and-hold picks for a self-directed RRSP portfolio. At this point, I would probably split a new investment between the two stocks.

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