RRSP Investors: Should You Buy Toronto-Dominion Bank (TSX:TD) or Suncor Energy Inc. (TSX:SU) Stock Today?

Description

Canadian savers are looking at the sell-off in the TSX Index and wondering which stocks might be attractive picks right now for a self-directed RRSP portfolio.

Let's take a look at **Suncor Energy** (TSX:SU)(NYSE:SU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one deserves to be on your RRSP buy list today.

Suncor

Canada's largest integrated energy company has a built-in hedge against falling oil prices. Suncor's oil sands and offshore oil production operations will feel the pinch of falling oil prices, but the company's downstream business units that include the refineries and retail divisions can actually see their results improve when oil hits a rough patch.

Why?

The refineries get a discount on their crude input costs, and depending on the market spread can generate robust margins when selling the finished products such as asphalt, diesel fuel, gasoline, or jet fuel. Suncor also owns more than 1,500 Petro-Canada service stations and these tend to benefit when lower oil prices lead to a drop in gasoline prices as people tend to take more trips.

Suncor used its strong balance sheet to make strategic acquisitions during the last downturn, including the purchase of Canadian Oil Sands. If the current dip persists, additional opportunities should arise for the company to boost its reserves and production at attractive prices.

Suncor has a strong track record of dividend growth, even during difficult market conditions. The current payout should be safe and provides a yield of 4%.

The stock is down to $36 per share from $55 in July. Any rebound in the oil price next year could send the share price significantly higher.

TD

TD generates about $1 billion in profit every month and the good times appear set to continue.

TD’s large U.S. operations are benefitting from rising interest rates and the recent cuts in corporate taxes. The U.S. Federal Reserve might slow down the pace of rate hikes next year, but the medium-term trend is still likely to the upside. Higher rates in the U.S. tend to boost net interest margins for the bank.

In addition, the strengthening U.S. dollar provides a nice earnings boost when profits from the American operations are converted to Canadian dollars.

TD anticipates earning per share will grow at least 7% per year for the next few years. The bank tends to outperform its guidance, so investors should be comfortable with the outlook. Dividend growth should continue at a steady pace and investors who buy today can pick up a 4% yield.

The stock has dropped from close to $80 per share in September to $66. At this price TD trades at a reasonable 11 times trailing 12-month profits.

Is one more attractive?

Suncor and TD appear oversold and should be solid buy-and-hold picks for a self-directed RRSP portfolio. Given the steep drop in the price of both stocks in recent months, I would probably split a new investment between the two companies today.

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