RRSP Investors: Should You Buy Suncor Energy Inc. (TSX:SU) or Fortis Inc. (TSX:FTS) Stock Today?

Description

The pullback in the TSX Index is giving self-directed RRSP investors a chance to buy some of Canada's top companies at attractive prices.

Let's take a look at two stocks that might be interesting picks for your RRSP portfolio today.

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

Suncor's integrated structure includes businesses that operate all along the oil value chain. This gives the company an advantage over its pure-play producer peers.

Suncor's largest operations remain the oil sands production facilities. Low oil prices have a negative impact on margins in this group. However, Suncor also operates four large refineries and these businesses can take advantage of the reduced input costs. When Western Canadian Select is heavily discounted, Suncor's downstream assets can generate strong margins, as the finished products that come out of the refineries are sold according to WTI or Brent prices.

Suncor has a strong balance sheet that enables is to acquire troubled competitors when oil prices fall. The production gains increase cash flow and the added resource base can generate long-term returns when the market recovers.

The price of WTI oil has fallen from US$76 per barrel to below US$45 in a very short timeframe. Additional weakness could occur in the near-term, but there is a good chance the market will rebound through 2019.

Suncor currently trades for $38 per share at writing. Any rally in oil could quickly send it back toward the 2018 high of $55. In the meantime, investors can pick up a 3.8% dividend yield.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis has raised its dividend every year for more than four decades and investors should see the trend continue.

The company made two large acquisitions in the United States in recent years that have turned out to be well-timed investments. Lower U.S. tax rates should boost net income and a falling Canadian dollar boosts profits when earnings from the American businesses are converted to Canadian currency.

Fortis is investing in organic developments, in addition to its strategic takeovers. The current $17.3 billion five-year capital program should raise the rate base significantly. As a result, revenue and cash flow growth are expected to support annual dividend hikes of at least 6% through 2023.

The stock generally holds up well when the broader market corrects, providing some peace of mind for investors with less tolerance for volatility in their portfolios. Fortis trades for $45 per share, which is pretty close to where it was at this time last year. The TSX Index dropped about 11% in 2018.

Investors who buy Fortis today can pick up a dividend yield of 4% and should see solid distribution growth continue over the medium term.

Is one a better bet?

Suncor appears oversold and Fortis should be a strong buy-and-hold pick. At this point, I would probably split a new RRSP investment between the two stocks.

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Date
2025/08/24
Date Created
2019/01/02
Author

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