



1 Top Oil Stock That TFSA Investors Can Buy and Hold

Description

The market wisdom is that long-term income investors should avoid investing in highly cyclical stocks. If you're an investor using your dollars from your Tax-Free Savings Account (TFSA), you may also be facing a similar dilemma.

But there are a few stocks where this approach doesn't work. Canada's energy giant **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is one of them. Being from highly volatile energy space, the price of Suncor shares can be volatile.

That's what we've been experiencing in the past six months. After touching \$55.47 in past summer, its shares are now down about 22% from the 52-week high, as oil prices went through a major correction, and Alberta announced some production cuts to overcome the domestic oil glut.

For long-term investors whose aim is to build their income portfolio, this is a good time to buy Suncor and take advantage of its high dividend yield. The reason of my bullish forecast for this [integrated oil giant](#) is that its stock will most likely to come back from this downturn.

Integrated energy company

One of the biggest strengths that makes Suncor different from other oil and gas producers is the company's integrated business; it digs for oil, refines it, and sells it through its 1,500 gas stations.

That model is also going to insulate the company from posting hefty losses at a time when the government has restricted companies on how much they can produce. Suncor CEO Steve Williams, in an earnings call this month, said that the curtailment order has had a minimal impact on Suncor because of its refining business and access to existing pipelines.

Rival oil sands companies are more exposed to volatile commodity prices and pipeline constraints. Even in this highly uncertain situation, Suncor is looking for opportunities to buy assets that are distressed.

Strong dividend payer

Something else that [differentiates Suncor](#) from other oil producers is that the company has had a great track record of returning cash to investors. The oil giant has been sending dividend cheques to its shareholders for about quarter of a century.

Despite incurring a loss in the fourth quarter of the last year, Suncor hiked its payout by 17% to \$0.42 a share quarterly. It also increased its share-buyback program from \$2.15 billion to \$3 billion.

For TFSA investors, this is a great incentive to buy this stock, which usually comes out stronger from an oil market downturn

Bottom line

After the pullback from its summer peak, Suncor stock is trading at an attractive level. With an annual dividend yield of 3.9%, and with great upside potential, I find Suncor a good candidate for your TFSA if you plan to hold it over the long term.

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1. Dividend Stocks
2. Energy Stocks
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