Which of These 2 “Forever” Stocks Should You Buy and Hold?

Description

No dividend portfolio is complete without at least a couple of Canadian banks and top-tier utilities stocks. Today, we will take a look at one of each of these kinds of blue-chip investments and see which one is the best value with the best outlook, as well as the yield and overall health of each investment.

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

If you could only invest in one stock on the TSX index, would it be Suncor Energy or one of the Big Six bankers? Before we take a look at one of the best picks from the latter breed of stocks, let’s drill down into the data for this all-weather energy provider.

Up 1.3% so far today, Suncor Energy is far from sluggish at the moment, with an array of oil bottleneck situations driving movement in the energy section of the TSX index. Indeed, a beta of 1.34 relative to the oil and gas industry suggests a volatility of share price that is marginally higher than the norm.

Compared with the TSX index itself, Suncor Energy exhibits closer to a 50% increase in volatility, with a five-year beta of 1.44 relative to the market. This means that while your investment may depreciate faster than the market, there’s also the possibility to gain some upside at the positive end of the scale.

one-year past earnings growth of 2% trailed the Canadian oil and gas industry average of 14.8% for the same 12-month period; however, its 16.9% five-year average matches the industry exactly and makes for a stable track record in terms of growth.

Turning to Suncor Energy’s market fundamentals, we can see that with a P/E of 17.1 times earnings and P/B of 1.5 times book it’s only slightly above the TSX index for both metrics; in other words, this is a fairly valued investment at the moment. A dividend yield of 3.97%, matched with an expected 5.7% annual growth in earnings, makes for a solid buy for the passive-income investor.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

A beta of 1.01 relative to the Canadian banking industry means that CIBC's share price will fluctuate in step with the average domestic bank; meanwhile, a 1.07 beta relative to the TSX index indicates that this investment will appreciate and depreciate alongside the market. In other words, CIBC is a less-volatile option than Suncor Energy, making for a more stable long-term investment.

CIBC's valuation is actually a touch better than that of Suncor Energy, with a P/E of 9.7 times earnings and P/B of 1.5 times book that come in under and at the banking norms, respectively. Paying a handsome dividend yield of 5.12%, CIBC outshines Suncor Energy in terms of passive income, while the former stock's outlook is very slightly better, with a 6.3% expected annual growth in earnings in the cards.

The bottom line

Pitting two of the most popular TSX index stocks against each other is an interesting exercise and shows how their respective industries differ. However, given their size, quality, and dividend yields, there is no reason why a first-time investor building a solid portfolio built around passive income should not stack shares in both Suncor Energy and CIBC.

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