



## RRSP Investors: Time to Buy Suncor Energy (TSX:SU) Stock?

### Description

Oil prices have staged a nice recovery off the late 2018 lows, but oil stocks continue to remain out of favour with the market.

Let's take a look at the current situation in the sector and see if Canadian energy giant **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) deserves to be in your [RRSP portfolio](#) right now.

### Oil market

West Texas Intermediate (WTI) oil traded at US\$74 at writing at the end of September last year before an unexpected plunge drove the price down to a December low near US\$43. A new rally took it back above US\$66 in April, but oil fell again through the first part of June to US\$51. The market has since trended higher. At the time of writing, WTI oil trades for US\$58.50 per barrel.

The roller coaster ride is a bit confusing and may well be one reason investors are giving oil producers a wide berth. Supply and demand doesn't change that drastically in such a short period, so other forces are at play.

Negative pressure has come from the ongoing trade dispute between the United States and China. The longer the two economic powerhouses impose tariffs the higher the chances that we could see a global economic slowdown. Traders are concerned that oil demand would drop, which is one reason oil prices have seen some sharp declines.

Support for the market should come from supply disruptions, including the sanctions against Iran and political instability in Venezuela, Libya, and other oil nations. In addition, OPEC and a handful of other producers, including Russia, just agreed to extend supply cuts in an effort to prop up prices. The agreement is set to last through March 2020.

If the U.S. and China sort out their differences in the next few months, we could see an oil rally heading into 2020.

## Should you buy Suncor?

Ongoing volatility should be expected in the oil market, but investors might want to start nibbling on the stocks of producers with strong balance sheets and growing dividends. Suncor has an advantage in that its downstream refining and retail operations provide revenue support when oil prices fall. The company can take advantage of the weaker periods to add attractive assets and then reap the rewards when oil prices recover.

The board raised the dividend by almost 17% for 2019 and Suncor is buying back shares with extra cash flow. The stock currently trades at \$41 per share at writing compared to \$55 last July. Investors who buy today can secure a solid 4% [yield](#) and are looking at close to 30% upside potential when market sentiment improves.

If you are searching for a buy-and-hold stock for your RRSP, Suncor deserves to be on your radar today.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

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