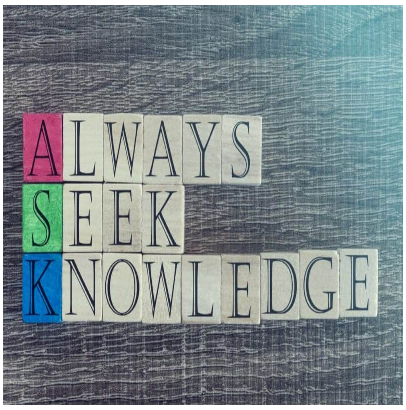

RRSP Investors: Is Toronto-Dominion Bank (TSX:TD) or Suncor Energy (TSX:SU) Stock a Buy?

Description

Canadian savers are using self-directed RRSP accounts to build their retirement portfolios.

A popular strategy for choosing top stocks is to go with market leaders that have strong competitive positions in their industries. A solid track record of dividend growth is also an attractive quality.

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

TD

TD generated fiscal Q2 2019 adjusted net income of $3.27 billion compared to $3.06 billion in the same period last year. That's a significant haul for three months of operations, and the increase is even more impressive when you consider the headwinds the banking industry faced through the end of last year and the start of 2019.

TD's American business is largely responsible for the strong results. The U.S. retail operations, which don't include the interest in **TD Ameritrade**, produced net income of $1 billion, representing an increase of 19% on an adjusted basis.

TD is targeting medium-term earnings-per-share growth of 7-10%. The drop in bond yields in the past few months is allowing banks to offer cheaper mortgage rates, and that could boost home loans above previous expectations. The lower rates are also helping customers who have to renew, reducing potential defaults.

TD raised its quarterly dividend by 10.4% earlier this year to $0.74 per share. That's good for an annualized yield of 3.8%. TD has a compound annual dividend-growth rate of about 11% over the past 20 years.

The stock currently trades at $77 per share, which isn't far off the 12-month high near $80. At 12.5

times trailing earnings, TD isn't cheap, but the stock is a widely viewed as the safest pick among the big Canadian banks.

Suncor

Suncor raised its quarterly dividend by 16.7% from $0.36 to $0.42 per share this year. The energy giant is not normally a name that comes up when dividend stocks are discussed, but Suncor is actually one of the few oil producers that has managed to raise its payout every year since the rout began in 2014. The existing dividend provides a yield of 4.3%, and investors should see steady increases continue.

The secret to Suncor's success lies in its integrated business structure that includes refineries and retail operations, in addition to the massive oil sands and offshore oil production. A strong balance sheet also helps, giving Suncor the financial clout to make strategic acquisitions when the market is under pressure.

At the time of writing, the stock appears somewhat oversold at $39 per share. Oil prices remain volatile, but investors who buy Suncor when the broader sector is down tend to do well when oil prices bounce. Suncor traded for $55 last summer, so there is attractive upside potential.

That said, you have to be a long-term oil bull to buy any of the oil producers.

Is one more attractive?

TD and Suncor are both industry leaders with strong businesses that should continue to deliver solid returns.

Investors who want the safer bet should probably go with TD. Otherwise, Suncor could be an interesting contrarian play right now.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

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

Date
2025/08/17
Date Created
2019/07/30
Author
aswalker