A Top Dividend Stock That Could Soar in 2020

Description

As we head toward the end of the summer investors are already starting to think about positioning their portfolios for 2020.

This makes sense, as TFSA space will increase by at least $6,000 per person in January and investors have until the end of February to make their desired RRSP contributions for the 2019 tax year.

Many investors put the funds in GICs, but the interest rates offered on GICs have fallen significantly in 2019 compared to late last year, making this option less attractive.

Stocks, however, have given back a chunk of their 2019 gains, and some of the names that could generate attractive returns next year are out of favour.

Let's take a look at one top Canadian stock that looks cheap right now and might take off in 2020.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) trades at $38 per share compared to more than $50 last summer. The company just reported decent earnings for Q2 2019 despite the ongoing challenges facing the broader energy sector.

Suncor saw oil sands production hit a quarterly record on growing output from the Fort Hills facility that went into commercial operation last year. Suncor is also ramping up output at the Hebron offshore site.

The company's refining and retail divisions continue to provide a balanced revenue stream when oil prices weaken, as they benefit from the reduced input costs.

The company raised the dividend by nearly 17% for 2019 and another generous increase is probably on the way next year. The current payout provides a yield of 4.4%.

Suncor has the size and financial strength to make ongoing strategic acquisitions to boost output and the resource base.

Pipeline bottlenecks remain an issue for Canadian producers, but Trans Mountain is expected to begin construction in the coming months and Keystone XL should eventually be completed.

These pipelines would provide a boost to export capacity and that bodes well for Suncor down the road.

Should you buy Suncor?

OPEC is determined to maintain its supply cuts through the end of March next year. At the same time, U.S. sanctions against Iran and supply disruptions in Venezuela and Libya could put added pressure on global supply.

The trade battle between the U.S. and China is keeping a lid on price increases, but that could quickly reverse on news of a deal.

As a result, oil could see strong upside through 2020 and that would potentially drive Suncor’s stock price back toward the $54 mark we saw last summer.

In the meantime, investors get paid well to wait.

If you’re looking to put some cash to work inside your TFSA or RRSP for 2020, Suncor appears oversold today.

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