# Better Buy: Suncor (TSX:SU) or Hydro One (TSX:H)

### Description

The Bank of Canada elected to hold the benchmark interest rate at 1.75% in their meeting in early September. Experts and analysts are still expecting a downward move over the next year, but solid economic data is keeping a cut at bay. The bond rout in the developed world has driven investors to reliable income-yielding equities like utilities, telecoms, and the real estate sector.



Equities in the energy sector have been more volatile in 2019. News that Alberta planned to continue its oil production curtailment until 2020 caused energy stocks to dip in late August. However, there have been many positives to glean from some of the sector's stars.

Today, I want to compare a star energy stock and a top Canadian utility. Which is the better buy in September? Let's dive in.

## Suncor Energy

**Suncor Energy** (TSX:SU)(NYSE:SU) stock has dropped 1.8% over the past three months, but the stock has still climbed 5.8% in 2019. The company has been critical of Alberta's production curtailment policy. This is because Suncor's refinement business was largely benefiting from lower crude prices, putting it in a unique position compared to its industry peers.

Nonetheless, the company had a strong second quarter. Funds from operations (FFO) hit a second-quarter record of $3 billion and net earnings climbed to $2.73 billion, or $1.74 per share, compared to $972 million, or $0.60 per share, in the prior year. Total oil sands production also increased in the second quarter to 692,200 barrels per day, over 140,000 barrels per day more than the prior year. This was impressive in the face of production curtailments.

Suncor stock currently boasts a favourable price-to-earnings ratio of 12.3 and a price-to-book of 1.3. It offers a quarterly dividend of $0.42 per share, representing a 4.3% yield. The company has achieved dividend growth for 16 consecutive years.

## Hydro One

**Hydro One** (TSX:H) had been a frustrating performer in 2017 and 2018, as the rate-tightening path from the Bank of Canada generated downward pressure for utilities. The Ontario-based utility has also wrestled with internal strife related to its private-public ownership. U.S. regulators cited this as a reason to block its acquisition of **Avista** late last year.

Shares of Hydro One have climbed 24% in 2019 at the time of this writing. Collapsing bond yields has driven up interest in utilities that have historically offered stable payouts. Hydro One has seen revenue increase to $3.17 billion in the year-to-date period ending June 30, 2019, and adjusted earnings per share has climbed to $0.78 over $0.68 in 2018. Unfavourable weather and higher financing costs weighed on earnings in Q2 2019.

The stock possesses a P/E ratio of 15.9 and a P/B of 1.6. Shares last had an RSI of 65, putting it just outside technically overbought territory. Hydro One last hiked its quarterly dividend to $0.2415 per share, which represents a 3.9% yield.

## Which is the better buy today?



Suncor stock is the more attractive value play in early September, but it’s hard to turn away from the bullish conditions that favour Hydro One and other utilities right now. Another rate cut from the U.S. Fed in 2019 will apply significant pressure to the Bank of Canada to follow suit in early 2020. Value investors may want to wait for a better entry point, but I still prefer Hydro One today.

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