



RRSP Investors: Should You Buy Suncor Energy (TSX:SU) or Barrick Gold (TSX:ABX) Stock?

Description

Canadians are using their RRSP to create self-directed stock portfolios to help fund a comfortable [retirement](#).

RRSP investments are generally held for many years, taking advantage of long-term opportunities for [dividend](#) increases and rising stock prices.

The financial stocks and some of the utilities regularly come up as top picks, but diversification across other sectors is also recommended.

Let's take a look at two industry leaders that might be interesting picks for a balanced RRSP portfolio.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is Canada's largest integrated energy company. The firm sports a market capitalization of \$64 billion, making it one of the biggest companies on the TSX Index.

Suncor's diverse business lines make it rather unique in the Canadian energy patch. The company's oil sands and offshore oil assets make up the largest part of the revenue and represent the biggest growth opportunities in the coming decades. However, Suncor also owns four large refineries that take the crude oil and turn it into end products such as gasoline, diesel fuel, jet fuel, and asphalt.

In addition, Suncor operates about 1,500 Petro-Canada service stations.

The downstream assets, as they are known, give Suncor a hedge against falling oil prices and have helped the company ride out the oil rout better than pure-play producers.

Suncor has a strong balance sheet and uses it to make strategic acquisitions when attractive opportunities arise in the sector. The company also does a good job of sharing profits with investors through share buybacks and dividend increases.

Suncor raised the dividend by nearly 17% in 2019 and has hiked the payout for 17 straight years. The current distribution provides a yield of 4%.

The stock appears cheap today at \$41.50 per share. A new rally in the oil price next year could quickly send the stock back to the 2018 high around \$55.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) was in trouble a few years ago, but a successful turnaround effort has the company back in good shape.

Management has reduced the debt load from US\$13 billion to net debt of US\$3.2 billion at the end of Q3 2019. The company just announced an agreement to sell its share of an asset in Australia for US\$750 million, which will add further strength to the balance sheet.

The merger with Randgold Resources at the beginning of 2019 created a mining giant with five of the planet's top 10 gold mines.

Barrick Gold just reported solid results for Q3 and raised the dividend by 25%. More hikes should be on the way.

The price of gold has increased from US\$1,200 per ounce a year ago to the current price of US\$1,470. It was as high as US\$1,560 in early September. Ongoing volatility should be expected, but the case for higher gold prices is strong, as central banks around the world are cutting interest rates in an effort to prop up weakening economies.

Barrick Gold trades at \$22.50 per share. It wouldn't be a surprise to see it drift back toward the 2011 high around \$50 in the next few years if gold can hold or build on its recent gains.

Is one a better bet?

Both Suncor and Barrick Gold are leaders in their respective industries and should be solid buy-and-hold picks for a self-directed RRSP portfolio.

Oil bulls might want to make Suncor the first choice. The stock appears oversold right now, and you get paid well to wait for the next rally.

Otherwise, Barrick Gold is a great way to build some gold exposure into your portfolio. The stock also appears undervalued, given the rise in the price of gold in the past year and the progress the company has made to improve its balance sheet.

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