



RRSP Investors: Should You Buy Suncor Energy (TSX:SU) or Nutrien (TSX:NTR) Stock in 2020?

Description

Canadians are starting to plan their Registered Retirement Savings Plan ([RRSP](#)) investments for the coming year.

The RRSP has been around for a long time and remains an important tool for investors who are setting cash aside to fund expenses in the golden years. The contributions can be used to reduce taxable income, which is helpful for people who find themselves in the higher tax brackets.

Tax is paid when the funds are withdrawn, but the investments can grow tax-free until that point. Ideally, you will pull the money out when you are in a lower marginal tax bracket than when the initial investment was made.

The best stocks to buy tend to be market leaders with strong balance sheets. When possible, it is preferable to add them to the portfolio when they are out of favour with the market.

Let's take a look at **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) to see if one deserves to be on your RRSP [buy list](#) for 2020.

Suncor

Suncor is a giant in the Canadian energy sector with a market capitalization of \$64 billion. The company has a strong balance sheet and is able to take advantage of its size to drive growth through strategic acquisitions and organic developments.

Weak oil prices can hurt margins on the production assets, and Suncor is best known for its oil sands operations. It also produces offshore oil. The downturn that began in 2014 is now in its fifth year, and while oil prices have gone through some ups and downs along the way, they still remain under pressure.

Strong companies can benefit from pullbacks, and Suncor used the rout to add new resources at

attractive prices. It was also able to maintain construction on key projects. The completion of Fort Hills and Hebron brought important new production streams and helped Suncor increase output in Q3 2019 compared to the same period last year.

The company's refining and retail business lines provide a nice hedge against lower oil prices and are a big reason Suncor's stock tends to hold up better than the pure-play producers when oil prices slide.

Suncor raised the quarterly dividend from \$0.36 to \$0.42 per share in 2019. It was the 17th straight annual increase. Investors who buy the stock today can pick up a yield of 4%.

Suncor trades at \$42 compared to the 2018 high around \$55, so there is strong upside potential on the next oil recovery.

Nutrien

Nutrien is a world leader in the supply of potash, nitrogen, and phosphate. These products are used by farmers around the globe to improve crop yields. Urban expansion is reducing the amount of arable land while population growth is boosting demand for food. The trend is expected to continue for decades, and Nutrien is well positioned to benefit.

Commodity sectors go through cycles and 2019 has been a rough year for Nutrien. The company has reduced production to adjust to lower sales as a result of an unusually wet spring in the United States and a dry monsoon season in India. Trade disputes and a recent rail strike have also impacted the company.

Management expects 2020 to be better. In the meantime, investors can pick up the stock for \$63 compared to \$73 earlier this year. The current dividend offers a 3.8% yield.

Is one more attractive?

Suncor and Nutrien should both be solid buy-and-hold picks for a self-directed RRSP. If you only buy one, I would probably make Nutrien the first choice today.

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2. NYSE:SU (Suncor Energy Inc.)
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Author

aswalker

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