



## 1 Dirt-Cheap Warren Buffett Stock With an 8.7% Yield

### Description

Earlier this month, the Organization of the Petroleum Exporting Countries (OPEC) took a huge step in a bid to stop the bleeding in oil prices. [Oil took a sharp dive in early March](#) when Russia and Saudi Arabia began their price war, and the situation has worsened in the weeks that followed. Unsurprisingly, this has generated an environment where cheap stocks are plentiful.

The crisis for oil producers has been exacerbated by the COVID-19 pandemic. Economic shutdowns around the world have shaken up regular routines. Reports indicate that this has cratered demand between 20% and 30% on a global level.

Oil prices plunged further on April 19. The price of WTI crude had fallen below \$15 at the time of this writing. This is the lowest level WTI crude has reached in over two decades. Meanwhile, the price of Western Canadian Select (WCS) had plunged 35% to roughly \$4.20 a barrel. The Canadian federal government has taken steps to support oil producers. However, the current situation will be untenable for the dozens of small- and mid-cap companies in the sector.

Other larger producers are more well equipped to weather this crisis. Today, I want to focus on one Canadian oil producer that has received a vote of confidence from an investing legend.

## One dirt-cheap stock that Warren Buffett added more of in 2019

Back in February, I'd focused on some TSX listings that Warren Buffett had taken an interest in. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) was one of the top Canadian stocks that [Buffett had increased his exposure to](#) over the past year. At the time, I'd focused on Suncor as a cheap stock. This was before conditions in the sector had deteriorated. Shares of Suncor have dropped 47% year over year as of close on April 17.

Buffett's value investing strategy is something investors should try to practice right now. Markets have enjoyed a rally in April, but there are still several discounts on the TSX. Shares of Suncor last possessed a favourable price-to-earnings ratio of 11 and a price-to-book value of 0.7. The stock spent a good portion of March in technically oversold territory. As it stands today, Suncor is still trading at the

low end of its 52-week range.

## Can the oil and gas sector rebound in 2020?

The current oil rout is going to prompt more introspection from OPEC and other top oil-producing countries. Reports from last week indicated that top nations were already considering an even deeper production cut. However, these measures will struggle to have an impact, while the COVID-19 pandemic continues to batter global demand.

There are some positive signs on that front. Several European countries, including Austria, Denmark, and Germany, have begun to take small steps to re-open. However, many measures will remain in place, even if a re-opening is pursued in the weeks ahead. This means that many employees may work from home more frequently. Oil and gas producers may not see a return to previous levels of demand.

## Why I still like Suncor stock today

Suncor proved in previous crises that it can weather oil price shocks. It is a cheap stock today, but it is not at risk of total collapse like others in this sector. The company lobbied against Alberta's production cuts when the price of WCS dropped to record lows in late 2018 and early 2019. However, funding costs have skyrocketed. Suncor recently announced the issuance of new bonds for which it had to pay triple the borrowing costs that it did the previous year.

Still, Suncor has increased its liquidity in this crisis. The company will reportedly seek to maintain its dividend payout. It currently offers a quarterly dividend of \$0.465 per share, which represents a tasty 8.7% yield.

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