Despite the Market Rally, Warren Buffett's TSX Stocks Trade at 50% Discount

Description

Whether or not this market rally will last remains to be seen, but some big **TSX** names have shown some solid recovery lately.

For instance, Warrant Buffett's Canadian stocks **Suncor Energy** (TSX:SU)(NYSE:SU) and **Restaurants Brands International** (TSX:QSR)(NYSE:QSR) have surged almost 60% and 75%, respectively, from their recent lows last month.

Notably, these two have outperformed TSX Index by a wide margin since last month. TSX stocks at large have gained more than 25% in the same period.

The legendary investor Warren Buffett-led **Berkshire Hathaway** holds 15 million shares of Suncor Energy and 8.4 million shares of Restaurant Brands.

Interestingly, despite such a steep market rally, Suncor stock is still trading 50% lower to its 52-week high. At the same time, Restaurants Brands offers a 40% discount against its 52-week high.

Restaurant Brands: A faster-than-expected recovery?

Hospitality is one of the worst-hit industries amid the COVID-19 pandemic. Even if delivery and take-away bring in the much-needed cash for Restaurant Brands, the lockdowns will significantly hamper its financials in the next couple of quarters.

Notably, even if the virus contains and lockdowns are released, it might take time for people to eat out as compared to the pre-crisis levels. However, I expect a slower but firmer recovery later this year, in its operations and ultimately in financials as well.

Notably, as major economies like the U.S. and China re-opening after near-lockdown situations, one can expect a faster comeback from companies like Restaurant Brands.

Restaurant Brands stock looks weak in the short term despite the ongoing market rally. However, its long-term growth prospects remain strong. The stock has never been this cheap amid the COVID-19 crash from the valuation standpoint in the last five years. Also, investors can get a safe and juicy dividend yield of close to 5%.

Suncor Energy stock amid the market rally

The situation in the energy markets continues to stay grimmer amid the worsening supply glut. While the crude oil prices briefly dipped into the negative territory early this week, this was not that a piece of bad news for Canadian giants such as Suncor Energy.

Suncor's massive downstream operations will likely hedge its upstream operations driven by oil's downfall. Its strong balance sheet will weather through these challenging times. However, lower oil prices for longer-than-expected could notably complicate things for this Canadian energy bigwig.

Suncor Energy will report its first-quarter earnings early next month. It is expected to report lower earnings in the first half of 2020. However, as oil prices revive probably in the second half amid the easing pandemic impact, Suncor's earnings might stabilize.

Suncor survived and increased dividend payments in the 2008 financial crisis. Its reliable dividend profile and fair growth make it an attractive bet for long term investors.

Investors should not panic on oil prices entering the negative territory. Oil and gas stocks will remain volatile in the near future even if the market continues to rally.

However, entering Suncor Energy stock still makes sense for discerning investors given its huge growth potential and a relatively comfortable position in such harsh times.

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2. NYSE:SU (Suncor Energy Inc.)
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vinitkularni20