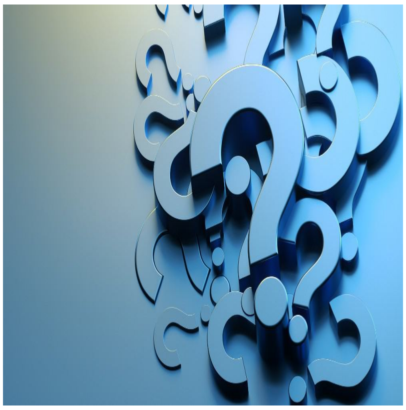

Should You Buy Suncor (TSX:SU) or Enbridge (TSX:ENB) Stock Right Now?

Description

Suncor Energy (TSX:SU) and **Enbridge** (TSX:ENB) trade at much lower levels than they did before the pandemic crash. As the broader market extends its rebound, investors are wondering if these stocks should be on their buy lists.

Let's take a look at the two Canadian energy sector giants to see if one deserves to be in your portfolio right now.

Suncor

Suncor slashed its dividend by 55% when it reported Q1 2020 earnings. Investors had hoped Suncor would maintain the payout through the downturn, as it did during the Great Recession and in the worst days of the oil rout in 2014-2015. Previously, the downstream assets provided a hedge against falling oil prices, but that's not the case this time.

As a result, the move to cut the distribution wasn't a surprise. The price of West Texas Intermediate (WTI) oil went from US$63 per barrel in January to below zero at one point last month. Oil has steadily recovered through May and now trades around US$34 per barrel. That's getting close to Suncor's break-even point, but still needs to move higher for the company to start making some decent margins.

The refineries and Petro-Canada retail locations should deliver better results in the back half of 2020 as lockdowns end and fuel demand from commuters and commercial vehicle fleets recovers. The jet fuel market will take longer to rebound.

Suncor trades at $23.50 per share compared to a March low of $15 and a 2020 high of $45. The trimmed dividend still provides a 3.5% yield so investors get paid a decent return to wait for the energy market to improve.

Suncor has adequate liquidity to ride out the recession and investors could see the company make strategic acquisitions in the coming months. Suncor made aggressive moves during the previous crash. Adding more production and resources at fire sale prices could boost long-term profits once oil prices stabilize at higher levels.

Enbridge

Enbridge trades around $44 per share compared to the March closing low near $34 and the 2020 high above $57 it reached in February.

The company is a giant in the energy infrastructure sector with vast networks of oil, gas liquids, and natural gas pipelines. Enbridge transports about 25% of the oil produced in Canada and the U.S. and moves nearly 20% of the natural gas used in the United States.

Reduced demand from refineries for feedstock crude oil put a dent in volumes across the main liquids pipelines in Q1, and the Q2 numbers will likely show a similar drop. However, the natural gas utility businesses and renewable energy power assets continue to perform well.

As refiners ramp up fuel production, the mainline network should quickly fill again.

Despite the challenging environment, Enbridge maintained its 2020 guidance for distributable cash flow. The company bumped about $1 billion in capital projects down the road, but is still adding new infrastructure. As a result, investors should feel confident the current dividend is safe and a payout hike could still occur in 2021.

Investors who buy today can get a 7.3% dividend yield.

Is one a better bet?

Suncor and Enbridge should be solid picks for a buy-and-hold TFSA or RRSP portfolio.

Income investors should make Enbridge the first choice today. Otherwise, investors looking for potential capital gains might want to choose Suncor at the current price.

The stock likely offers more upside torque on an oil rebound and you still get paid a decent return until that happens.

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