



Beginners Must Forget Warren Buffett and Shopify (TSX:SHOP) to Buy This Stock Now

Description

The shares of Calgary-based energy company **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) have taken a massive hit in 2020 so far due to the COVID-19 outbreak. An unprecedented drop in the demand for energy transportation along with crude oil oversupply led to a steep decline in oil prices earlier this year.

In February 2020, the Oracle of Omaha, Warren Buffett, owned investment firm **Berkshire Hathaway** (NYSE:BRK.A)(NYSE:BRK.B) raised its stake in Suncor Energy to nearly 15 million shares. This development comforted Suncor's investors and attracted new investment from many other value investors — especially from Warren Buffett's close followers.

Nonetheless, Several external as well as internal factors triggered a sharp sell-off in Suncor Energy's stock in the first half of 2020. Let's take a quick look at these factors before we talk about an amazing stock that new **TSX** investors or beginners can buy right now.

What hurt Suncor Energy stock this year?

Lower oil prices and the prolonged pandemic have hurt Suncor's shares — that makes most of its revenue from oil refining and marketing segment.

Due to major COVID-19 related headwinds, Suncor registered an adjusted net loss of \$309 million in the first quarter as compared to its adjusted net profit of \$1.2 billion in Q1 2019.

Weakness continued in the second quarter

The company recently released its second-quarter results on July 22. Its adjusted net loss significantly widened in Q2 due to the prolonged weakness in oil prices and other COVID-19-related cost factors. In Q2, Suncor Energy [reported](#) \$1.4 billion adjusted net loss — missing analysts' estimate of \$976 million net loss.

It is important to note that Suncor Energy has been missing Bay Streets' earnings estimates for the last five quarters in a row.

Going against Warren Buffett and analysts

Suncor Energy currently offers a 3.7% dividend yield to its investors. As of August 10, about 83% of the analyst covering Suncor recommend a buy with a 12-month target price of \$31.87. This target price reflects nearly 41% upside potential in its stock from its Monday closing price of \$22.60.

Despite analysts' recovery expectations and Buffett-owned Berkshire Hathaway's high stake in Suncor Energy, I would recommend stock market beginners avoid buying Suncor Energy stock right now. Also, we shouldn't forget that Buffett's investment firm has made many wrong decisions in the recent past.

If you have deep pockets with a big risk appetite, consider buying its stock in hopes of a consistent recovery in oil prices.

Beginners should buy this stock instead

Instead, I would highly encourage stock market beginners and conservative investors to take a look at other Canadian energy stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). This Calgary-based energy company makes most of its revenue from the energy services segment.

Apart from its solid fundamentals, there are several other reasons why I find Enbridge stock to be a much better buying option than Suncor or [even better than the Canadian tech giant Shopify](#) ([TSX:SHOP](#))([NYSE:SHOP](#)). First of all, Enbridge currently offers a solid dividend yield of 7.2%. It's much higher as compared to Suncor's only 3.7% dividend yield, whereas Shopify — being the new tech company — doesn't offer any dividends yet. Getting regular dividends would be a great way to start the stock market journey for beginners.

Second, unlike Shopify stock, which has already seen a 160% rise in 2020 so far — Enbridge stock doesn't look overvalued right now. If new investors start investing in a company like Shopify right now, even a small downside correction may wipe out a big chunk of new investors' total portfolio. Currently, Enbridge stock is trading with a 13.2% year-to-date losses, as compared to a 2% drop in the **S&P /TSX60 Index**.

After reporting solid Q2 results on July 29, Enbridge stock has already rallied by about 7% in the last 10 days. I expect this rally to continue and the stock to outperform the broader market as well as other stocks such as Suncor and Shopify in the second half of 2020.

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