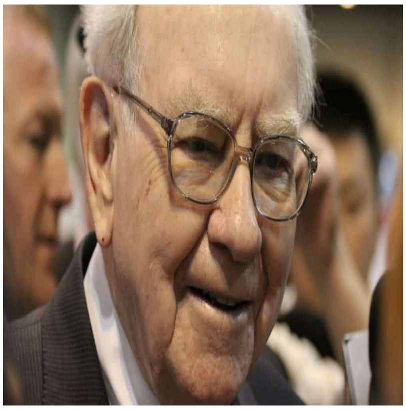

Opportunities Still Exist on the TSX: Just Ask Warren Buffett!

Description

The **TSX Index** may have recovered most of the ground lost back in the February-March coronavirus sell-off, but the tech-light Canadian index is still chock-full of bargains. Following the latest round of tech-driven selling, such bargains are becoming even more pronounced, providing a rare opportunity to contrarians to get a huge bang for their invested buck, as we continue navigating deeper into uncharted territory with this pandemic-plagued market.

What's been under the most pressure in 2020?

Without question, the energy and air travel sectors have been feeling the full force of the COVID-19 headwinds. The TSX Index is heavy on stocks in the former sector, and while many may view energy stocks as uninvestable amid the COVID-induced collapse in demand for fossil fuels, I think there are bargains within some of the better capitalized, more resilient plays in the energy patch.

You could argue that we're in the midst of an environmental crisis that could see fossil fuel producers and transporters (the pipelines) on their way out. Heck, *Mad Money* host Jim Cramer thinks that various fossil fuel players are in their death knell phases and is an advocate against investing in the fossil fuel producers of yesteryear. Although Cramer may think fossil fuel producers are the new tobacco, I think it's unfair to shun all energy players, even though they may be facing profound headwinds amid a secular transition towards cleaner, more sustainable sources of energy.

Check out Warren Buffett's preferred way to play the Albertan oil patch

While there's no telling where oil prices will head next or how much longer the wide Western Canadian Select (WCS) discount will last, I think **Suncor Energy** (TSX:SU)(NYSE:SU) is a compelling option for dividend investors now that its payout is more sustainable following its latest dividend cut.

Warren Buffett has been accumulating shares of the integrated Albertan energy play; he probably sees it as the best-in-breed player in the oil patch. The company had a stellar balance sheet before the coronavirus crisis, and I think the firm is among the best-equipped oil producers for a potential worsening of both the COVID-19 and environmental crises.

With Suncor stock on the retreat again, I think contrarians should strongly consider going against the grain while shares trade at a wide discount to book value. Yes, Suncor and its peers face an uphill battle, but a 20% discount to book value for a cash flow-generative, best-in-breed play, I believe, is too good to pass up.

While I wouldn't back up the truck at $18 and change, I would start nibbling on the way down, as you look to strike a cost basis that's far better than that of Warren Buffett.

Going against the grain can hurt

Now, I have no idea when the pressure will be taken off oil prices. There are far too many variables to predict with any degree of precision where such hard-hit commodities are headed next. However, I do not think Warren Buffett is making a mistake with Suncor, as shares reek of deep value. And any sustained relief in the Albertan oil patch, I believe, could be a major needle mover for a battered stock like Suncor.

Don't back up the truck yet, but do nibble on the way down, as you look to go against the grain with a company that's close to the cheapest it's been in recent memory.

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