



## Better Contrarian Buy: Enbridge (TSX:ENB) Vs. Suncor (TSX:SU)

### Description

As the oil industry slips from crisis to crisis, stocks that were a no-brainer for investors have suddenly come under dark clouds. Investors have to make tough choices when it comes to investing their funds. Companies that looked rock solid six months ago look extremely volatile now.

After all, when the world's leading oil producers and one of the largest oil companies in the world say that demand is not going to come back for a long time, you can't go with a spray-and-pray approach.

Two energy stocks that have been bulwarks in their segments, upstream and midstream, are now under the scanner. One is heavily oversold but is backed by Warren Buffett, and the second one is offering a mouth-watering (and stable) dividend payout.

### Should you buy Suncor stock?

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is a leading oil sands producer, and this segment of the oil industry was in trouble even before the COVID-19 pandemic. The company has missed its earnings estimates for four consecutive quarters (including the second quarter of 2020). In August, there was a fire at one of its facilities that caused its stock to drop by almost 10%.

Suncor has [also cut its dividend](#) by 55%. Suncor still has a forward yield of 4.8%, which might make it attractive for income investors.

The stock is trading at \$17.64, down over 60% from its January high of \$44.79. It is trading heavily into oversold territory. However, despite its troubles, Suncor is backed by Warren Buffett, who increased his stake in Canada's energy giant, according to recent 13F filings.

If there is upside to this stock, it will be swift, and Suncor stock may deliver a high return on investment. However, retail investors would do well to remember that they might not have Buffett's holding capacity or his ability to ride out a loss.

## Enbridge has a forward yield of 8.1%

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) is a midstream player that transports and stores oil. It sports a forward dividend yield of 8.06% at its current price of \$40.21. The stock has been given a target of \$52 by analysts that translates into a healthy upside of 30%.

While Suncor has been hit by waves of bad news, Enbridge announced that it will restart its Line-5 pipeline's east segment across the Straits of Mackinac. As fellow Fool [Adam Othman pointed out](#), "The pipeline transports light crude, and the natural gas line is expected to help other major players like Suncor." Around 98% of Enbridge's revenues come from regulated operations. The company will see steady revenues irrespective of the turmoil in the oil sector.

## Bottom line

When it comes to investing in either of these stocks, I would recommend Enbridge. Suncor's dividend payout is shaky right now, and there are just too many variables in the oil sector to bet on the company with any confidence.

When you have to wait for a bunch of external factors to swing a company's way, the smart money will move out. Enbridge has steady, assured revenues that will enable it to pay out its dividends regularly. It's a much safer bet to make.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

## Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

## Tags

1. Editor's Choice

## Date

2025/09/13

## Date Created

2020/09/22

## Author

araghunath

default watermark

default watermark