



Warren Buffett Is a Raging Bull on These 2 Canadian Gems

Description

Warren Buffett has been venturing outside of the U.S. market of late in search of value opportunities that most other investors may have been sleeping on. When it comes to Buffett's hunt for value, he knows no boundaries.

Whether we're talking about the under-the-radar Japanese "sogo shosha" (firms that engage in trade for various products and raw materials) stocks, or Canadian names that include the likes of heavily battered Albertan energy kingpin **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and premier inflation (and volatility) hedge **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), it's clear that Buffett is more than willing to wander outside of the U.S. if he spots a bargain that's within his circle of competence.

This piece will focus on his two Canadian bets in Suncor and Barrick to determine which, if either, is worthy of betting on at today's prices. Without further ado, let's get right into them.

Warren Buffett pick number one: Suncor Energy

Suncor is Warren Buffett's preferred way to play the Albertan oil sands. He's been in and out of the name in the past. After the coronavirus crisis decimated the energy sector, Warren Buffett was not afraid to go against the grain by scooping up shares at an even greater discount.

It's not very often that Canadian investors have an opportunity to land a cost basis that's better than Warren Buffett's. Suncor faces an unprecedented hailstorm in the oil patch. Although the headwinds are profound in the face of a potential [second wave](#) and another pullback in oil prices, I think shares are severely oversold at this juncture. Yes, there's some serious negative momentum here, but if you've got a long-term time horizon, it's always comforting to have Warren Buffett standing in your corner.

While I see few, if any, catalysts to propel Suncor of its funk, the stock remains one of the cheapest 5% yielders out there at a near 30% discount to book value. While oil could continue to fall under pressure over the next year, depending on how bad this [pandemic](#) gets, I'm willing to bet that Suncor will be a heck of a lot higher in three years, as we move on from this crisis and fossil fuel demand looks to

normalize.

Warren Buffett isn't a man to play short-term moves in commodity prices. He's all about buying dirt-cheap stocks that preferably have rock-solid balance sheets, promising long-term fundamentals, and relatively wide margins of safety. With Suncor, investors stand to get all of the above.

Warren Buffett pick number two: Barrick Gold

Warren Buffett loves going against the grain with value stocks that people have given up on. He'll gladly reach for the best company in an industry that stinks (like with Suncor). In the case of Barrick, though, the man paid a premium for Barrick while gold prices were at the high end of their historical price range. Barrick is the "gold standard" as far as gold miners are concerned. Although the price of admission into the name is high, relative to the choppy market environment, the hefty price is well worth paying.

The U.S. Fed is standing pat with interest rates for a few years. If it has to let inflation run, it'll do so. Given the risk of surging inflation, gold is the perfect place to hide. If Suncor is the best player on a team that stinks, Barrick is the best player on an all-star team. Although Barrick stock could crumble if gold prices were to return to mid-cycle levels around US\$1,300, I'd be willing to bet that gold's more likely to climb to \$2,500, given the unprecedented volatility, near-zero interest rates, and the growing rate of inflation.

Foolish takeaway

I'm a huge fan of Warren Buffett's Canadian holdings at these levels. If you can grab Barrick on a near-term pullback, I'd seek to back up the truck, as the name has ample upside in this pandemic-plagued environment as well as a 1.1% yield that I view as a "bonus" on top of the benefits from investing in gold.

With Suncor in the mid-teens, I think the name is a must-buy right now while it's flirting with its March lows.

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