



## CERB Users: A Warren Buffett Stock Pick for Big Passive Income

### Description

CERB has finally come to an end, and in its place will be a new-and-improved version of EI. Many CERB users will transition onto new unemployment benefit programs amid the worsening [second wave of COVID-19](#) cases, which could bring forth another spike of unemployment in a potential double-dip recession.

Many CERB users who have savings may wish to invest in a passive income stream, so they're less reliant and less stressed about the timing and magnitude of future EI payments, which will always be subject to change severity of future COVID-19 waves. Nobody wants to crack open their nest egg if future relief payments stand to shrink or be delayed. And as someone wise once said, "you should always seek to spend the interest (or dividends), not the principal."

## Buying a Warren Buffett stock for income that goes beyond benefit payments like the recently-ended CERB

This piece will have a look at one of [Warren Buffett](#)'s more recent Canadian stock picks and why I think it might be a good idea to scoop up shares while they're under pressure. Of course, I'm speaking about **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock, which has been tumbling amid the unprecedented hailstorm in the energy sector. Suncor is Warren Buffett's preferred way to play the Canadian oil sands, and right now, Canadian investors have a chance to land a better cost basis than the Oracle of Omaha himself.

Suncor is still a best-in-breed fossil fuel player despite slashing its dividend by 55% to better-position itself for the new normal in the oil patch. Many income investors likely threw in the towel on the name that could have kept its dividend intact but chose not to improve its financial flexibility further. Despite the dividend reduction, Suncor still sports a bountiful 5% yield that's perfect for any former CERB user's income stream.

Today, Suncor boasts one of the strongest balance sheets in the Albertan oil patch. Although the Canadian energy kingpin has been a falling knife lately, now is a good time to step in as shares could

bounce off a strong technical support level at around \$15. Despite plunging over 45% since June and 66% since January, Suncor looks like a falling knife that's well worth grabbing. The stock trades at a near 30% discount to book value, which is quite absurd given the resilience of Suncor's integrated business.

Yes, oil prices are on the retreat again, but if you're not buying that fossil fuels are a thing of the past, Suncor is nothing short of a steal with shares trading in the mid-teens.

## **Suncor Energy may be on the wrong side of a secular trend, but the trend's timing is likely exaggerated**

While green energy is the future, a global transition to renewable energy sources is likely to take many decades, not just a few years. As such, one shouldn't rule out one last oil boom before green energy becomes the new norm.

Moreover, with green-friendly Joe Biden leading in the polls over U.S. President Donald Trump, it seems as though investors are already preparing for a Democrat victory in under a month, with green energy stocks have gained at the expense of many already-battered fossil fuel plays.

There's been nothing but bad news for Suncor of late. With a plan to layoff up to 15% of its workforce over the next 18 months, Suncor is battenning down the hatches further to better navigate the perfect storm in the oil patch that may last longer than most expect. With such a dirt-cheap multiple, I think Suncor and some of its battered fossil fuel peers are deep-value buys and could vastly outperform their overvalued renewable peers going into year's end.

Warren Buffett isn't giving up on Suncor, and neither should Canadian value investors.

### **CATEGORY**

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

### **TICKERS GLOBAL**

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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