



## Should Suncor or Barrick Gold Stock Be on Your Buy List Now?

### Description

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) have moved in very different directions this year. Is it now time to buy Suncor stock and sell Barrick Gold or is the story more complicated?

### Does Suncor stock deserve to be a top pick today?

Suncor's stock started the year above \$40 per share. A few weeks later, in March, it hit a closing low of \$15. The pandemic sell-off hammered the oil sector, and until recently, many energy stocks traded close to their worst levels of the year. The sudden lockdowns around the world wiped out millions of barrels per day of oil demand. At one point in April, the futures market for oil actually traded in negative territory.

Optimism in May sent Suncor on a nice rally through the first week of June. The stock topped \$28 before starting another multi-month slide. By the end of October, Suncor's stock was back to \$15.

Positive news on COVID-19 vaccines in the past two weeks bode well for fuel demand in the second half of 2021. [Airlines](#) will likely see capacity improve and oil bulls say commuters will start to hit the highways again to make the trip into the office.

Oil bears are less optimistic, however. They feel the world has changed and neither the office nor airlines will see a return to 2019 levels of use for years, which may well turn out to be the case.

However, humans are social beings and the office will likely make a comeback quicker than some people think. As for air travel, as soon as people feel safe they will start flying again to take a holiday or visit family.

Suncor looks cheap right now at \$19 per share. The downside should be limited to the existing 2020 lows and it wouldn't be a surprise to see the stock hit \$30 before the end of next year. Investors who buy now can pick up a 4.3% dividend yield and simply collect the payouts until oil demand rebounds.

## Will Barrick Gold stock continue to rally in 2021?

Barrick Gold stock started 2020 close to \$25 per share, soaring above \$40 in May. Since then, the stock has bounced around in the \$30-40 range. Investors are trying to decide if the gold rally will extend its massive run in the coming years.

Safe-haven demand should fall as COVID vaccines become more widespread and people see the global economy getting back on track. This might lead investors to book profits on their Barrick positions. However, interest rates are set to remain low for years, and negative yields on government debt are already widespread.

In a no-yield world gold starts to look attractive.

On the operational side, Barrick experienced a successful restructuring that saw the company move from nearly being crushed by US\$13 billion in debt a few years ago to the current status where it will likely end 2020 with zero net debt.

The company raised the dividend by 12.5% when it released Q3 [results](#). At current gold prices Barrick generates significant free cash flow. In fact, free cash flow in Q3 hit US\$1.3 billion.

As long as gold prices maintain their current levels, or move higher, Barrick Gold is positioned to be a cash flow machine in the coming years.

Gold traded as high as US\$2,080 per ounce in August. The price is back below US\$1,900 at the time of writing. While volatility should be expected in the next six months, it wouldn't be a surprise to see gold hit US\$3,000 in the next few years. If you are a gold bull, Barrick gold appears cheap today at \$34 per share.

## Is one a better bet?

Suncor and Barrick both appear oversold at current prices and deserve to be on your buy list. Warren Buffet bought both stocks in recent months.

If you only buy one, I would go with Suncor. The stock probably offers the best upside potential in the next couple of years and provides a higher dividend yield.

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