



Is Warren Buffett Watching Bargains in Canada?

Description

Warren Buffett certainly hasn't shied away from the **TSX Index** over the years, with bets on some of Canada's favourites such as **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), among other well-known household Canadian names that a majority of Canadians own, either directly or through index ETFs or mutual funds. With the broader U.S. markets surging higher following the early-November vaccine news, which also acted as a [shot in the arm](#) of stocks, some are beginning to question the frothy market valuations.

Indeed, many stocks are [trading on the higher end](#) of their historical ranges, including those that felt the full force of the coronavirus impact back in February and March. While stocks definitely seem expensive after one of the best months in around 33 years, I don't think the markets overall are expensive as they seem — and certainly not as frothy as to warrant another cash-crunching market crash like the one we suffered earlier in the year.

But now that value is a bit harder to come by; I do think it makes sense for value-oriented investors like Warren Buffett to pay closer attention to Canada's stock market, which I'm sure you'd agree, has a heavier weighting in traditional value names. Today, the **TSX Index** is lagging behind its U.S. peers considerably.

The TSX underperforms in 2020 — why that could change in 2021

The TSX Index is off over 2% from its pre-pandemic high, while the **S&P 500** is up nearly 9% from its pre-pandemic high. The tech-rich **NASDAQ-100** has not looked back, leaving its pre-pandemic high in the dust, with shares that are now nearly 28% higher.

While it's tempting as a Canadian to throw in the towel on the TSX Index, given its meagre returns on the year (2.5%) versus the indices to the south, it's worthwhile to look under the hood of the index to some of the more compelling value options that I think could be in a spot to outperform over the next several years, as the Canadian economy recovers from this unprecedented crisis.

There's no question that the TSX Index deserved to endure a tougher road to recovery, given its heavier weighting to areas of the economy that had been the most severely impacted by the crisis, most notably the energy and financial sectors. But with such heavily-impacted industries potentially poised to join in on the recovery to a fuller extent in the New Year, as the masses get inoculated, names like Suncor are the places to be if we're to witness a continued rotation out of pandemic-resilient growth stocks and into pandemic-vulnerable value names.

Could Warren Buffett be looking to buy more shares of a name like Suncor Energy now that oil's poised to recover to normalized pre-pandemic prices?

He could be. I certainly wouldn't be surprised if he did. But, of course, we can only speculate at this juncture. Suncor Energy is one of the most unloved of Warren Buffett's TSX-traded stocks, and it's become one of the most compelling as we head into a year that could see COVID-19 finally be conquered.

Back in October, when Suncor was trading at \$15, I pounded the table on the integrated oil kingpin, urging investors to load up on shares while they traded at a steep discount to their book value. While the discount to book has all but vanished, as shares have climbed sharply past \$23, I still think the name has room to run in the new year, as oil prices continue to recover and as overvalued green energy stocks look to lose ground to their dirt-cheap fossil fuel counterparts.

In 2021, I think the green-to-fossil-fuel rotation will be a theme that value investors and Warren Buffett followers should pay attention to. Suncor is my preferred way to play such a rotation, as money flows out of "sexy" renewables and back into good, old-fashioned value.

CATEGORY

1. Dividend Stocks
2. Energy Stocks

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

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