



Billionaire Investments: 1 TSX Stock Buffett Should Buy in 2021

Description

Warren Buffett is one of the most celebrated value investors of the century. At age 90, he knows not to pay heed to the market criticism. He sits quietly in his office studying a handful of companies. He lets his \$85.6 billion net worth do the talking. Buffett has seen many market crashes and learned from them. Yet every crash is different, and he adopts a different strategy every time. In the end, he comes victorious, making millions in a crash.

How Buffett handled the 2020 market crash

In 2020 when the market crashed, everyone had their eyes on Buffett as he has a reputation for making money in a crash. His famous saying? “Be greedy when others are fearful and be fearful when others are greedy.” In 2020, Buffett sold 35 stocks, including airline, restaurant, and [bank stocks](#).

Instead, he purchased gold and pharma stocks and stocks in a tech Initial Public Offering (IPO). Such investments don't look like Buffett. It could probably be the management team of **Berkshire Hathaway**, which is making these investments of less than \$1 billion. But Berkshire Hathaway made one big investment after four years.

It acquired **Dominion Energy's** natural gas pipeline business for \$8 billion. This deal has Buffett written all over it. Then Buffett also invested in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) when all investors exited oil stocks.

Although Berkshire Hathaway stock underperformed the market in 2020, Buffett is a long-term player and is unaffected by the short-term headwinds.

Buffett might buy this TSX stock in 2021

Many analysts are eyeing Buffett's investment strategy for 2021. He might probably [buy more of Suncor](#) as oil prices rise with an economic recovery. Suncor is Canada's largest integrated oil company, having both upstream and downstream operations. Suncor owns oil fields from where it extracts oil, refines it, and distributes it. When oil prices rise, Suncor benefits as an oil producer. When oil prices fall, Suncor benefits as an oil distributor because oil consumption increases.

But the pandemic was a unique case. The oil price fell below \$35 as oil demand dropped suddenly because of the lockdown. The travel restrictions grounded planes, parked trucks, and cars. Oil companies didn't have a place to store oil and were forced to stop oil production. And due to travel restrictions, gasoline was not being used despite low oil prices.

The economies have reopened, and people are traveling again. While the airlines are still struggling to take off, oil demand has returned in other sectors. West Texas Intermediate (WTI) crude price rose from \$35 during the pandemic to \$54.8 at present. The oil price will continue to rise and even surpass \$60 (pre-pandemic price) as oil companies have lowered supply. Many oil companies even went bankrupt during the pandemic.

Why should you buy Suncor stock in 2021?

During the pandemic, Suncor accelerated its plan to move to a more efficient Suncor 4.0. program with a smaller workforce. It reduced its operating costs by \$1 billion and cut dividends by 55% to save cash. All these efforts were to help it reduce its cost per barrel and minimize losses. As oil prices rise, Suncor will fetch a higher price per barrel that will increase its profits. This will help it increase its dividend per share significantly.

When air travel returns, oil demand will surge further, and Suncor will stand to benefit as the largest oil supplier in Canada. Suncor's stock has already surged 54% since November 2020, when the COVID-19 vaccine news came. The stock has the potential to surge another 85% to the pre-pandemic level of \$44.

On the dividend front, Suncor has a dividend yield of 3.6%. If you buy the stock now, you can lock in this dividend yield, which will grow in the coming years. Yes, there will be short-term headwinds. The stock could fall in another market crash, but that is a good time to buy more Suncor stocks, given its long-term growth potential. I won't be surprised if Buffett buys more Suncor stock.

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