



## Suncor Stock vs. CNQ Stock: Buy, Hold, or Sell?

### Description

I understand why some investors may be interested in **Suncor** ([TSX:SU](#))([NYSE:SU](#)) stock today. It used to trade more or less in line with its energy stock peer **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). Suncor stock has diverged its path from CNQ stock since the pandemic market crash, though, as shown in the chart.



Data by YCharts.

## Suncor stock could be a lucrative energy stock

Suncor stock cut its dividend by 55% in May 2020 and ceased to be a Canadian Dividend Aristocrat, while CNQ maintained this prestigious status by maintaining its dividend-growth streak through these highly uncertain times.

If we expect a normalization to occur for Suncor stock, and if it restores its dividend to its previous glory, it will generate a yield of almost 7.5% from the current trading levels!

Let's be more conservative and assume Suncor stock doesn't restore its dividend to a higher level. It still provides a decent yield of 3.7% today. Moreover, the near-term upside potential of about 60% is also very lucrative.

As Suncor's trailing 12-month (TTM) payout ratio based on free cash flow (FCF) is about 52%, its current dividend should be quite secure. Particularly, the WTI crude oil price has improved significantly to the low US\$60-per-barrel level versus the US\$48 level at the start of the year.

## What about this energy stock?

Some investors may be more confident about an investment in Canadian Natural Resources stock, which has increased its dividend for about 20 years. CNQ stock's dividend hike of 10.6% last year was especially impressive during the pandemic.

How well is the energy stock's dividend protected? CNQ stock's TTM FCF payout ratio was approximately 38%, which is magnificent, seeing as the impacts of the novel coronavirus have been far and wide.

Given the company's ability to generate substantial free cash flow, another dividend increase in March 2022 is the natural course. However, let's be conservative and project CNQ stock's potential returns based on today's dividend. It offers a robust yield of 4.8%. Furthermore, the near-term upside potential of roughly 40% is still astounding.

## The Foolish investor takeaway

If anything, [Suncor stock](#) and CNQ stock seem to be decent investments at current levels. However, interested investors should note the following.

Energy stocks tend to have seasonal strength in the summer months, which is about to be over for this year. This may be why the WTI oil price has pretty much been on a slide since the end of July. The lower energy prices have, in turn, triggered pullbacks in the energy stocks.

Not surprisingly, Suncor stock has experienced a bigger drop of about 25% versus CNQ's 13% from their highs. According to last year's price action, the selloff in the energy stocks could keep on going until bottoming in November. So, patient investors might be able to get a better bargain if they wait a few months.

Considering there has been an increasing concern about climate change and the crazy global extreme weather conditions lately, it's probably not a good idea to park money in these [energy stocks](#) for the long term. Therefore, interested investors should buy low and sell high when provided the opportunity

to do so.

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1. Energy Stocks
2. Investing

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3. TSX:CNQ (Canadian Natural Resources Limited)
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