



Better Buy: Suncor Energy or TD Bank Stock?

Description

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) and **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) are two Canadian blue-chip stocks that have [fallen](#) out of favour in recent years. Despite the recent run in WTI (West Texas Intermediate) prices beyond the US\$70 mark, SU stock has trailed the pack in a big way. Undoubtedly, the integrated oil giant, previously owned by the great Warren Buffett, can't seem to catch a break, even as the industry backdrop shows signs of meaningful improvement.

Similarly, TD Bank stock, once viewed as a [premier](#) player in the Big Six banking scene, now finds itself lagging the pack, with a price-to-earnings (P/E) multiple that's considerably lower than the current leader. Both Suncor and TD Bank are coming off a handful of decent to mixed quarters. COVID headwinds are mostly to blame, but it's the relative underperformance that I believe could allow each name to make up for lost time over the next 18 months. Indeed, the two blue-chip Canadian stocks may deserve to trade at a slight discount to its better-performing peers. Given the incredible managers behind each firm and their lengthy track records for success, though, I don't think it's a good idea to bet against either name as they play the role of underdog, looking to catch up to the new leaders in the pack.

But which Canadian stock is the better buy right now? Let's have a closer look to see which would be a better fit for your portfolio going into the fourth quarter.

Suncor Energy

Almost every play in the oil patch was under considerable pressure in 2020. Many producers had no choice but to bring their dividends to the chopping block. Suncor was one such firm that reduced its dividend. Although a prudent move, given profound COVID-related uncertainties and decimated oil prices, it turns out the reduction was an action that may have lost some long-term shareholders. Undoubtedly, many folks likely relied on Suncor's juicy dividend payout. And the cut, which came after considerable downside, acted as a one-two punch to the chin of many investors who needed more passive income, not less.

Top peer Canadian Natural Resources also surpassed Suncor in market cap. By keeping its dividend

intact while taking advantage of M&A opportunities on the decline, the company ended up blasting off out of the gate once energy industry conditions showed signs of normalization.

After losing its crown in the Canadian oil patch, Suncor is in a tough spot. But it can pay significant dividends to forgive Suncor stock for its turbulent 2020 and first half of 2021. Higher oil prices are the tide that will lift all boats in the Albertan oil patch. In due time, Suncor stock will likely follow suit. For now, investors can punch their ticket into the name for 1.1 times book and 1.3 times sales. That's cheap!

TD Bank

TD Bank, Canada's most U.S.-exposed bank, isn't off considerably from its pre-pandemic high like Suncor is. But one can't help but notice that it, like Suncor, has lost a previously respectable lead (or co-lead) in the industry. For a stock that's up over 18% year to date, it's tough to pin it as an underdog. Still, compared to its peers, TD has been an underperformer due to its relatively lacklustre results. On its own, TD has actually performed well. But, of course, investors are going to compare the name to the other members of the Big Six. And as long as they do that, TD has been a dog.

Like with Suncor, though, industry conditions will lift all names higher. With the banks, it's improving credit quality, falling provisions, improved loan growth, and, looking way ahead, higher rates. For now, TD is an unbelievable value at just 10 times trailing earnings for those seeking low beta (currently 0.87) and a growing dividend (3.7% yield).

TD or SU stock: Better buy?

Both names are a magnificent value here. The energy and financial sectors have improved considerably over the last year. In a way, you get to see Mr. Market's hand before placing a bet. If I had to choose one name, I'd have to go with TD stock, as it's a Dividend Aristocrat that will probably be raising its dividend very soon.

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