



Why Talisman Energy Is Ready to Rebound

Description

While Fools should generally take the opinion of Bay Street with a grain of salt, it's not a bad idea to take a closer look at particularly stock-shaking upgrades and downgrades — just in case their reasoning behind the call makes sense.

What: Shares of **Talisman Energy** (TSX: TLM)(NYSE:TLM) gained 1.5% on Thursday after TD Securities upgraded the oil and gas company from hold to buy.

So what: Along with the upgrade, analyst Menno Hulshof reiterated his price target of US\$14, representing about 44% worth of upside to yesterday's close. So while momentum traders might be turned off by the stock's weakness in recent months, Hulshof's call suggests growing sentiment on Bay Street that Talisman is becoming too cheap to pass up.

Now what: According to TD, Talisman's risk/reward tradeoff is particularly attractive at this point. "This is the first time that we have been positive on the name since January 2013," [said](#) Hulshof. "It has become increasingly difficult to ignore the fundamental gap between TLM's share price and our estimates of underlying value (NAV and sum-of-the-parts or SOTP). In both instances, our calculations suggest that there is significant upside that is not being recognized by the market."

Of course, with the stock still off more than 25% from its 52-week highs, those concerns might be giving patient Fools a solid *long-term* growth opportunity.

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