2 Breakout Stocks Under $5

Description

The strategy is nearly foolproof. The set-up is easy to spot. And every time it happens, shareholders see a giant pop in the stock price.

Let me explain…

If you have ever worked in the asset management business, you are probably aware of the rule, 'Never buy a stock under $5'. It's an arbitrary number established by mutual fund companies. However, many of the largest money managers are restricted from purchasing any stock under this threshold.

Fortunately, it's a rule that the rest of us can profit from. That's because once a stock reaches $5, a lot of these institutional investors will start to investigate. And if they like what they see, these money managers will start pushing up the stock price further still. So with this theme in mind, here are two stocks that could crack the $5 barrier.

Bombardier

Nothing has been going **Bombardier's** (TSX: BBD.B) way this past year. After delays in the launch of its new CSeries aircraft, rumours began to swirl that customers might begin cancelling orders. Analysts also fear that these setbacks could result in a cash crunch at the troubled aerospace manufacturer.

However, things have been looking up in recent weeks. Despite an engine mishap that has kept test flights grounded since late May, Bombardier secured 66 new order commitments for the CSeries at the recent Farnborough Airshow. And rumours of coming order cancellations were proven false.

But this is where things get really exciting. According to the **TMX Group**, Bombardier stock is now one of the most heavily shorted on the Toronto Stock Exchange. Speculators are betting heavily that shares will continue to drop, but most of the bad news has already been priced in. If anything goes right at Bombardier, it could send shares soaring higher (pun intended) in a wave of panic buying.

Kinross Gold

Kinross Gold (TSX: K)(NYSE: KGC) has been abandoned by the investment community along with the rest of the gold mining industry. Thanks to plunging metal prices, the company has been forced to write off millions of dollars in assets. And since 2011, shareholders have watched $17 billion in market capitalization erased.

However, the bull thesis for the troubled miner is starting to improve. Kinross plans to cut capital spending by $555 million this year, which will alleviate the company’s cash crunch. In addition, the stock is trading at valuation multiples on several metrics that we haven’t seen in decades.

The smart money is starting to move in. A number of well-known hedge fund managers (who are not handicapped by the $5 rule) have started building positions in the company including Steven Cohen, D.E. Shaw, and Israel Englander. What could all of these Wall Street bigwigs see in Kinross? I say it could only mean one thing: an epic rally is ahead.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:BBD.B (Bombardier)
3. TSX:K (Kinross Gold Corporation)

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